# Public Accounts

of the Province of

# Prince Edward Island

Volume I
Consolidated Financial Statements

For the Year Ended March 31st

# 2013

# Public Accounts

of the Province of

# Prince Edward Island

Volume I
Consolidated Financial Statements

For the Year Ended March 31st

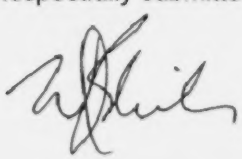
# 2013

**To His Honour**
**The Honourable H. Frank Lewis**
Lieutenant-Governor of the Province of
Prince Edward Island

**May it please Your Honour:**

The undersigned has the honour to submit herewith the Public Accounts Volume I of the Province of Prince Edward Island for the fiscal year ended March 31, 2013.

Respectfully submitted,



**Honourable Wesley J. Sheridan**
Minister of Finance, Energy & Municipal Affairs

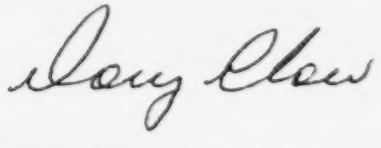
Department of Finance, Energy & Municipal Affairs
Charlottetown, Prince Edward Island

**To the Honourable Wesley J. Sheridan**
Minister of Finance, Energy & Municipal Affairs

**Sir:**

I have the honour to submit herewith the Public Accounts Volume I of the Province of Prince Edward Island for the fiscal year ended March 31, 2013.

Respectfully submitted,



**Doug Clow, CA**
Comptroller

Office of the Comptroller
Charlottetown, Prince Edward Island

# Province of Prince Edward Island
## Table of Contents
## Volume I
## For the Fiscal Year Ended March 31, 2013


| | Page Number |
|---|---|
| **Introduction** | 1 |
| **Financial Statement Discussion and Analysis** | |
| Summary Financial Information | 3 |
| Changes in Financial Position | 4 |
| Revenues | 7 |
| Expenses by Ministry | 8 |
| Indicators of Financial Health | 9 |
| **Consolidated Financial Statements** | |
| Statement of Government Responsibility | 13 |
| Independent Auditor's Report | 15 |
| Consolidated Statement of Financial Position | 17 |
| Consolidated Statement of Operations and Accumulated Deficit | 18 |
| Consolidated Statement of Changes in Net Debt | 19 |
| Consolidated Statement of Cash Flows | 20 |
| Notes to the Consolidated Financial Statements | 21 |
| Schedules to the Consolidated Financial Statements | 50 |
| Schedule 39 – Reconciliation of Consolidated Deficit | 71 |
| Schedule 40 – Restatement of 2012-2013 Budget Estimates | 73 |
| Schedule 41 – Provincial Reporting Entity | 74 |

# Introduction

The consolidated financial statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, Boards and Crown Corporations owned or controlled by the Province. The Operating Fund is comprised of all departments and government units of the Province, it does not include Agencies, Boards and Crown Corporations and it is the level at which the annual estimates are prepared in detail for approval by the Legislature.

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with Canadian accounting standards for the public sector. Other significant accounting policies used by the Province are described in the Notes to the Consolidated Financial Statements. The consolidated financial statements are prepared by the Comptroller and are audited by the Auditor General, who presents an independent report to the Legislative Assembly on the results of the audit.

The Public Accounts for the year ended March 31, 2013 consists of three volumes:

> ***Volume I – Consolidated Financial Statements*** presents the audited consolidated financial statements of the provincial reporting entity as described in Note 1 to the consolidated financial statements. Volume I commences with a Financial Statement Discussion and Analysis section, which provides a narrative review of the financial performance of the Province including presentation of variances and trends along with illustrations of key figures and relationships. The objective of this narrative is to explain and highlight information contained in the consolidated financial statements. It is presented by management to provide a clearer understanding of the Province's financial health.
>
> ***Volume II – Operating Fund Financial Statements and Details of Revenues and Expenses*** presents the financial statements of the Operating Fund, and the details of revenues and expenses of the Operating Fund.
>
> ***Volume III – Financial Statements of Agencies, Boards and Crown Corporations*** presents the reproduction of the available audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province.

The Public Accounts of the Province are tabled in the Legislative Assembly in accordance with Section 61 of the *Financial Administration Act*.

**Internet Address** – Volumes I, II and III of the Public Accounts are available in PDF format on the Province's website and can be ordered through the website at:

www.gov.pe.ca/publications

# Financial Statement Discussion and Analysis

## Summary Financial Information

The tables below show a summary of key financial measures for the Province for the fiscal years ending 2012 and 2013.

***Consolidated Statement of Financial Position***

***(Millions)***

| | 2013 | 2012 |
|---|---|---|
| Liabilities | $ 2,835.0 | $ 2,739.5 |
| Financial Assets | (795.4) | (831.4) |
| **Net Debt** | **$ 2,039.6** | **$ 1,908.1** |
| Tangible Capital Assets | 1,005.7 | 964.1 |
| Other Non-Financial Assets | 24.6 | 13.3 |
| **Total Non-Financial Assets** | **$ 1,030.3** | **$ 977.4** |
| **Accumulated Deficit** | **$ 1,009.3** | **$ 930.7** |

***Consolidated Statement of Operations and Accumulated Deficit***

***(Millions)***

| | 2013 | 2012 |
|---|---|---|
| Revenue-Provincial Sources | $ 1,001.6 | $ 956.4 |
| Revenue-Federal Sources | 595.4 | 630.7 |
| **Total Revenue** | **$ 1,597.0** | **$ 1,587.1** |
| Expenses | **$ 1,675.6** | **$ 1,671.2** |
| **Annual Deficit** | **$ (78.6)** | **$ (84.1)** |

***Consolidated Statement of Changes in Net Debt***

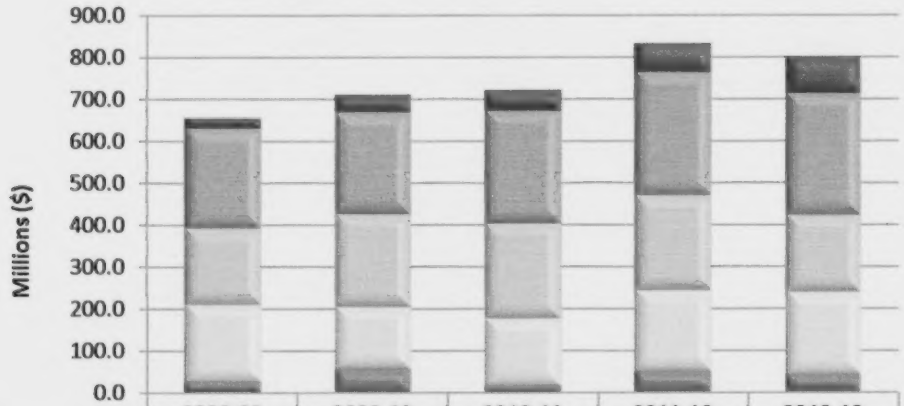
***(Millions)***

| | 2013 | 2012 |
|---|---|---|
| **Opening Net Debt, Restated** | **$ 1,908.1** | **$ 1,761.4** |
| Annual Deficit | 78.6 | 84.1 |
| Change in Net Investment in Tangible Capital Assets | 41.6 | 66.2 |
| Change in Other Non-Financial Assets | 11.3 | (3.6) |
| **Total Change in Net Debt** | **$ 131.5** | **$ 146.7** |
| **Ending Net Debt** | **$ 2,039.6** | **$ 1,908.1** |

## Changes in Financial Position

**Financial Assets** are assets such as cash, receivables and investments which could provide resources to discharge existing liabilities or finance future operations. The financial assets decreased by $36.0 million (4.3%) since 2012.

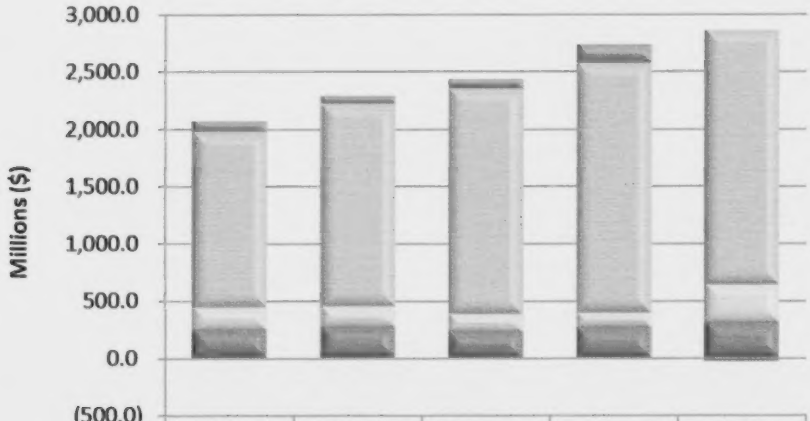
**Financial Assets - 5 Year Trend**




| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| Other | 25.2 | 40.4 | 48.4 | 65.7 | 84.2 |
| Loans Receivable | 238.5 | 242.4 | 269.2 | 296.3 | 291.5 |
| Sinking Fund | 182.6 | 222.8 | 228.2 | 226.4 | 182.7 |
| Accounts Receivable | 185.3 | 147.6 | 161.9 | 193.6 | 197.4 |
| Cash | 23.5 | 56.5 | 13.9 | 49.4 | 39.6 |

**Liabilities** are debts or monetary obligations such as accounts payable, loans payable and debentures. The liabilities have increased by $95.6 million (3.5%) since 2012.

**Liabilities - 5 Year Trend**




| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| Pensions, Other | 98.6 | 74.9 | 78.5 | 166.4 | (20.5) |
| Debentures & Short-Term Loans | 1,529.6 | 1,764.4 | 1,969.1 | 2,178.4 | 2,216.0 |
| Loans Payable | 199.0 | 183.3 | 156.6 | 132.0 | 336.8 |
| Accounts Payable | 243.2 | 268.5 | 226.3 | 262.7 | 302.7 |

**Net Debt** represents the amount of liabilities to be funded from future revenue. This includes the funding of capital assets that will be used in future periods. The net debt was $2,039.6 million in 2013, an increase of $131.5 million. The major components of net debt are tangible capital assets, accumulated deficit and other non-financial assets.

**Non-Financial Assets** are assets consumed in the delivery of government services. They do not normally provide resources to discharge existing liabilities. Non-financial assets increased by $52.9 million at the end of the current fiscal year.

***Non-Financial Assets***
*(Millions)*

| | 2013 | 2012 |
|---|---|---|
| Tangible Capital Assets | $ 1,005.7 | $ 964.1 |
| Inventories and Property Holdings | 22.5 | 12.0 |
| Prepaid Expenses and Deferred Charges | 2.1 | 1.3 |
| **Total Non-Financial Assets** | **$ 1,030.3** | **$ 977.4** |

**Tangible Capital Asset** investments were as follows:

***Tangible Capital Assets***
*(Millions)*

| | 2013 | 2012 |
|---|---|---|
| **Opening Balance** | $ 964.1 | $ 898.0 |
| Adjustments | (1.6) | (0.4) |
| **Adjusted Opening Balance** | **$ 962.5** | **$ 897.6** |
| Additions | 108.0 | 127.6 |
| Net Disposals | (2.7) | (2.9) |
| Amortization | (62.1) | (58.2) |
| **Closing Balance** | **$ 1,005.7** | **$ 964.1** |

**Accumulated Deficit** is the sum of all surpluses and deficits incurred by the Province to date calculated according to current accounting policies. The accumulated deficit increased to $1,009.3 million at the end of 2013 from $930.7 million at the end of the previous fiscal year as a result of the deficit of $78.6 million.

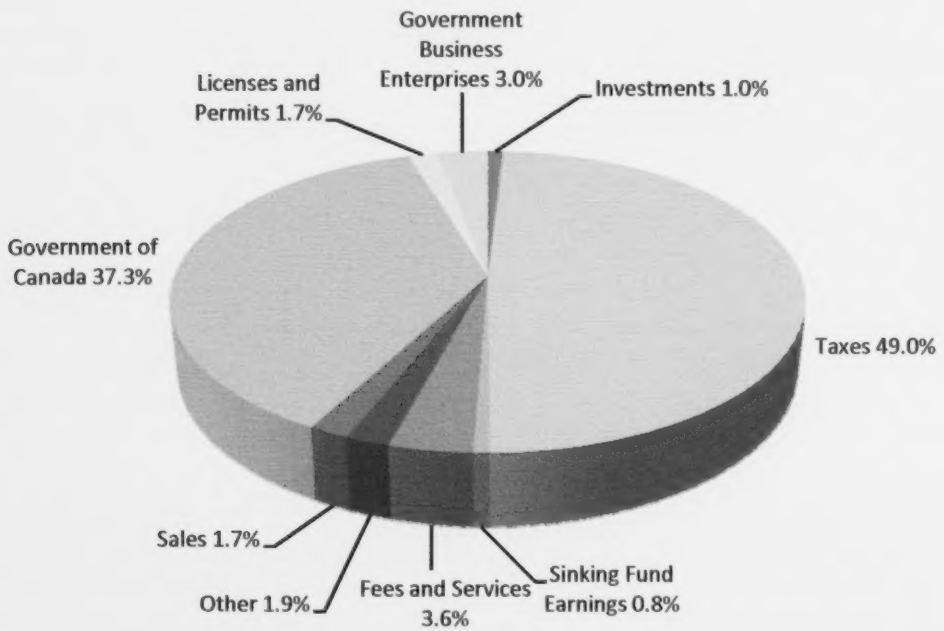
***Accumulated Deficit***
*(Millions)*

| | 2013 | 2012 |
|---|---|---|
| Accumulated Deficit, Beginning of Year | $ 930.7 | $ 885.7 |
| Annual Deficit | 78.6 | 84.1 |
| Accounting Changes (Note 3) | - | (90.6) |
| Prior Period Adjustments (Note 4) | - | 51.5 |
| **Accumulated Deficit, End of Year** | **$ 1,009.3** | **$ 930.7** |

## Revenues

**Revenues** are monies received for the sale of goods, fees and services, licenses and permits, taxes and transfers from the Government of Canada. Revenue for the year was $1,597.0 million an increase of $9.9 million over 2012.

**Revenues By Source**

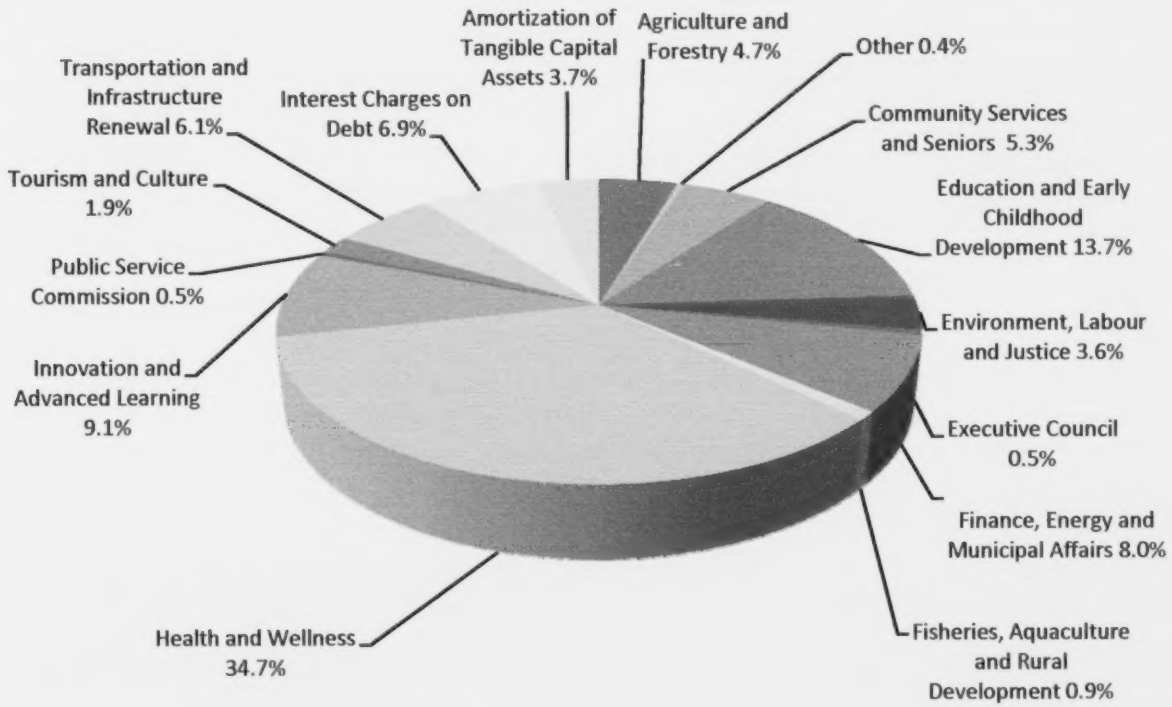



| *Revenues* (Millions) | 2013 | 2012 |
|---|---|---|
| *Provincial Sources* | | |
| Taxes | $ 782.5 | $ 756.4 |
| Fees and Services | 58.2 | 55.6 |
| Other | 160.9 | 144.4 |
| **Total Provincial Sources** | **$ 1,001.6** | **$ 956.4** |
| *Federal Sources* | | |
| Equalization | 337.1 | 329.0 |
| Canada Health and Social Transfers | 170.5 | 165.4 |
| Other | 87.8 | 136.3 |
| **Total Federal Sources** | **$ 595.4** | **$ 630.7** |
| **Total Revenue** | **$ 1,597.0** | **$ 1,587.1** |

## Expenses by Ministry

Expenditures for the Province in 2013 were $1,675.6 million, an increase of $4.4 million over the prior year. Program expenditures were down $9.2 million, while interest and amortization were up $13.6 million.

**Expenses by Ministry**


Amortization of Tangible Capital Assets 3.7%
Agriculture and Forestry 4.7%
Other 0.4%
Transportation and Infrastructure Renewal 6.1%
Interest Charges on Debt 6.9%
Community Services and Seniors 5.3%
Tourism and Culture 1.9%
Education and Early Childhood Development 13.7%
Public Service Commission 0.5%
Environment, Labour and Justice 3.6%
Innovation and Advanced Learning 9.1%
Executive Council 0.5%
Finance, Energy and Municipal Affairs 8.0%
Health and Wellness 34.7%
Fisheries, Aquaculture and Rural Development 0.9%

*Expenses*
*(Millions)*

| | 2013 | 2012 |
|---|---|---|
| **Expenses** | | |
| Program Expenses | $ 1,497.3 | $ 1,506.5 |
| Interest Charges on Debt | 116.2 | 106.5 |
| Amortization (Net of Capital Contributions) | 62.1 | 58.2 |
| **Total** | **$ 1,675.6** | **$ 1,671.2** |

## Indicators of Financial Health

This section provides indicators of the Province's financial condition and follows Canadian Institute of Chartered Accountants (CICA) guidelines; using information provided in the Province's consolidated financial statements as well as other standard socio-economic indicators such as nominal Gross Domestic Product (GDP). GDP is the measure of the value of the goods and services produced in the Province in a year. The Province's GDP is measured and reported by Statistics Canada.

The analysis provides results in a manner that improves transparency and provides a clearer understanding of recent trends in the Province's financial health. Trends over the last five years are evaluated using sustainability, flexibility and vulnerability criteria established by the CICA. Though many potential indicators are available, those found to be the most relevant, measurable and transparent to users of government financial information are included. Similar data series are also widely used by banks and other financial institutions, investors and credit-rating agencies.

In evaluating a government's financial health, it should be acknowledged that governments have exposure to a number of variables that are beyond their direct scope of control, but still can exert major influences on financial results and indicators. These include but are not limited to:

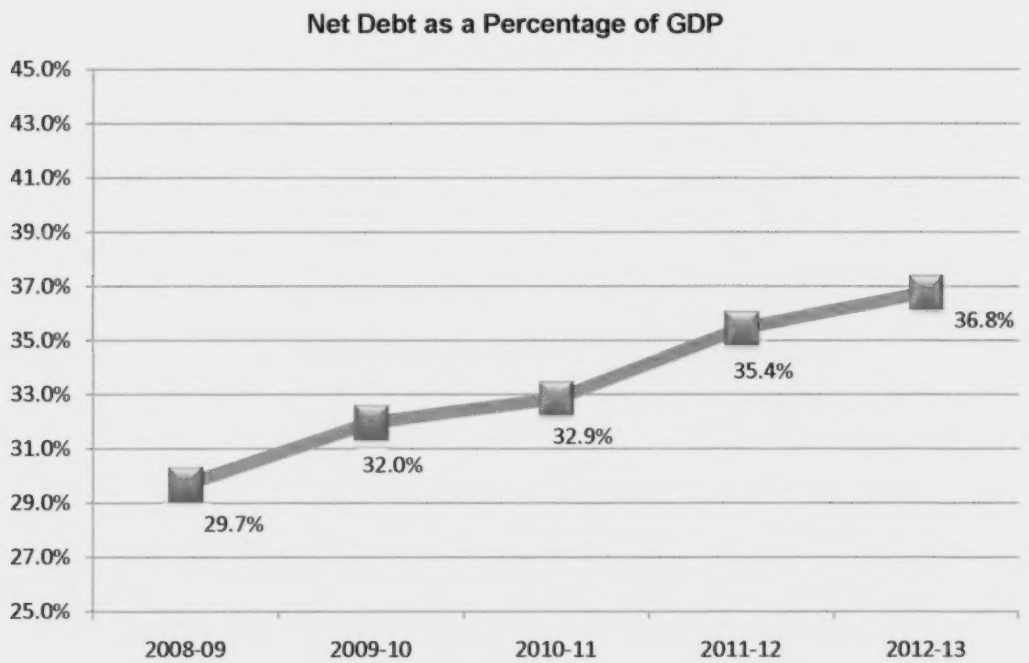
- Changing global economic conditions such as energy prices, commodity prices, investment valuation and inflation,
- Changes to international financial conditions that impact interest rates, currency fluctuations or availability of credit,
- Changes to federal transfers or programs,
- Emergencies such as floods, forest fires and pandemics, and
- Developments affecting agencies that are reflected on the Province's books.

## Sustainability

Sustainability is defined by the CICA as the degree to which a government can maintain and meet existing creditor requirements without increasing the debt burden on the economy. One measure of sustainability is net debt as a percentage of GDP.

*Net Debt as a Percentage of GDP*

Net debt is an indication of the extent to which the Province's liabilities exceed financial assets. The net debt-to-GDP ratio shows the relationship between net debt and the economy. If the ratio is declining, growth in the economy is exceeding growth in net debt, resulting in improved sustainability. Conversely, an increasing net debt-to-GDP ratio indicates net debt is increasing faster than growth in the economy and serving to reduce the Province's financial sustainability.




The net debt-to-GDP ratio has increased over the last five years[1]. The increase in the ratio is the result of the acceleration of capital expenditures that were incurred as part of stimulus actions to support the economy during the global economic and financial downturn.

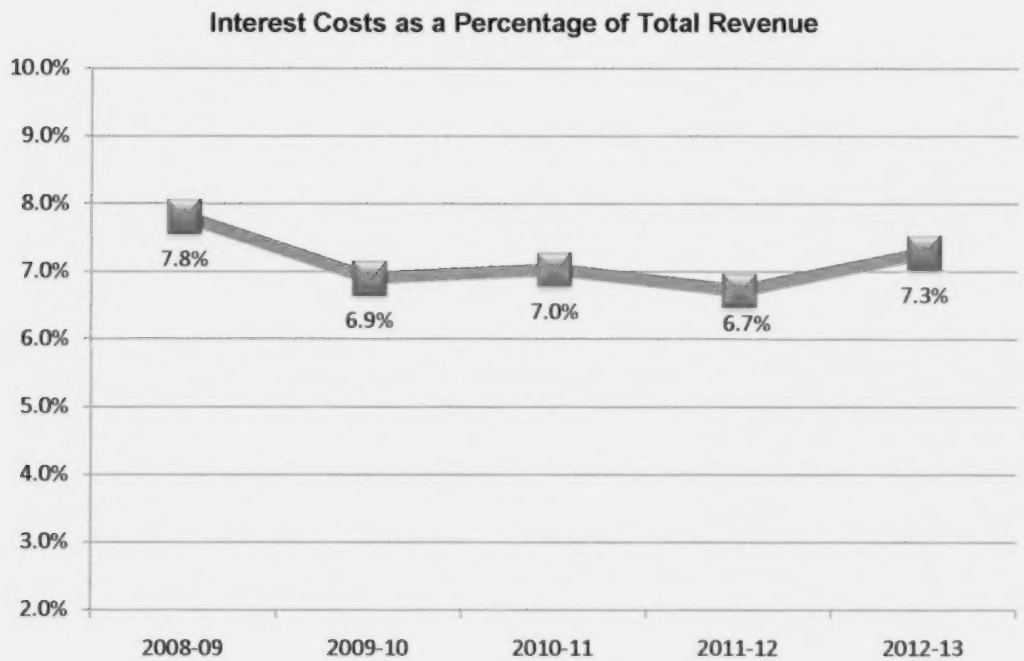
[1] Prior year GDP figures have been revised due to a new calculation method by Statistics Canada. This has impacted previously reported ratios.

## Flexibility

Flexibility is defined as the degree to which a government can increase its financial resources to respond to its commitments. One measure of flexibility is the cost of debt as a percentage of total revenue.

*Interest Costs as a Percentage of Total Revenue*

Debt service costs as a percentage of total revenue is an indicator of the Province's ability to satisfy existing credit requirements in the context of the government's overall revenue. Debt service costs can be impacted by variables outside the direct control of government, such as credit ratings, interest rates, financial markets and currency fluctuations. Investment in public infrastructure resulting in a change in the amount of debt can also influence borrowing requirements. An increase in this ratio indicates that debt service costs are a larger financial burden on the Province's finances. A decrease in this ratio indicates that debt service costs are a smaller financial burden on the Province's finances, allowing for a greater percentage of financial resources to provide public programs and services.




The Province's percentage of debt service costs to revenue has held relatively constant from 2009 to 2013.

## Vulnerability

Vulnerability is defined as the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international. A common measurement of vulnerability is federal government transfers as a percentage of revenue.

Revenue from federal sources is comprised of conditional and unconditional grants from the federal government, including:

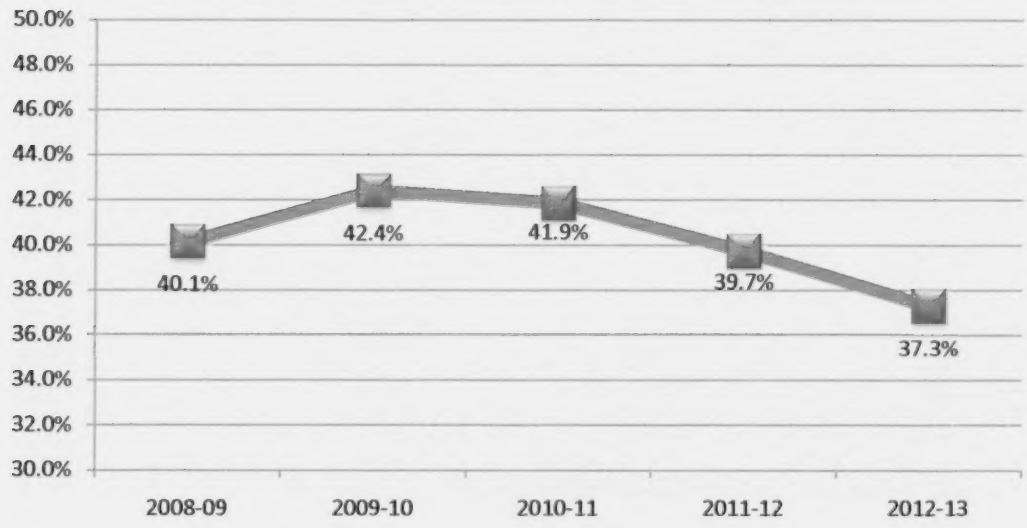
- Fiscal Equalization Program payments,
- The Canada Health Transfer and the Canada Social Transfer, and
- Conditional grants or capital revenue in support of economic development, infrastructure, education and labour training and other areas.

Federal transfer payments can be affected by both federal fiscal policy decisions, as well as the normal annual estimate process that guides federal payments under the Equalization Program and Canada Health and Social Transfers. Both of these factors can contribute to year-to-year changes in the level of transfers.

*Federal Government Transfers as a Percentage of Total Revenue*

Comparing the level of federal transfers to total revenue provides an indication of the vulnerability of the Province. Generally, if the ratio is increasing, the Province is increasingly reliant on federal transfers, resulting in increased vulnerability. If the ratio is declining, vulnerability is diminished.

**Federal Government Transfers as a Percentage of Total Revenue**




The dependence of the Province on federal revenues has steadily declined since 2010.

# Government of the Province of Prince Edward Island

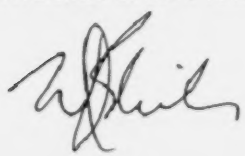
## Statement of Responsibility

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Prince Edward Island rests with the Province. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Province as described in Note 2 of the consolidated financial statements.

These financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficit, a Consolidated Statement of Changes in Net Debt, a Consolidated Statement of Cash Flow and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Province's financial position at the fiscal year-end and results of operations for the year ended March 31, 2013. More detailed information regarding the Province's financial position and operating results can be found in other sections of either Volume I, Volume II or Volume III.

The Province is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

On behalf of the Province,



**Honourable Wesley J. Sheridan**
Minister of Finance, Energy & Municipal Affairs

January 2014

# AUDITOR GENERAL

**CHARLOTTETOWN**
**PRINCE EDWARD ISLAND**

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Legislative Assembly**
**Province of Prince Edward Island**

**Report on the Consolidated Financial Statements**

I have audited the consolidated financial statements of the **Province of Prince Edward Island** which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Government's Responsibility for the Consolidated Financial Statements**

The Government is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting as disclosed in Note 2 to the consolidated financial statements, which are Canadian accounting standards for the public sector, applied on a basis consistent with that of the preceding year and for such internal control as Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Government, as well as evaluating the overall consolidated financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2013, and the results of its consolidated operations, changes in its net debt and cash flow for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the consolidated financial statements, which are Canadian accounting standards for the public sector.

**Report on Legal and Regulatory Requirements**

As required by Section 16 of the *Audit Act*, I report that in my opinion, the consolidated financial statements of the Province present fairly the financial position, results of operations and changes in financial position of the Province in accordance with the disclosed basis of accounting on a basis consistent with that of the preceding year.

B. Jane MacAdam

**B. Jane MacAdam, CA**
**Auditor General**

**Charlottetown, Prince Edward Island**
**January 24, 2014**

# PROVINCE OF PRINCE EDWARD ISLAND

**Consolidated Statement of Financial Position**
**as at March 31, 2013**

| Schedule | | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|---|
| | **FINANCIAL ASSETS** | | |
| 1 | Cash and Short-Term Investments (Note 5) | 39,647 | 49,444 |
| 2 | Accounts and Taxes Receivable | 197,415 | 193,568 |
| 3 | Investments | 1,231 | 1,459 |
| 4 | Investment in Government Business Enterprises (Note 1) | 82,985 | 64,261 |
| 5 | Sinking Fund (Note 6) | 182,701 | 226,398 |
| 6 | Loans Receivable | 291,469 | 296,295 |
| | **Total Financial Assets** | **795,448** | **831,425** |
| | **LIABILITIES** | | |
| 7 | Deferred Revenue and Credits | 11,490 | 12,922 |
| 8 | Accounts Payable and Accrued Liabilities | 302,719 | 262,743 |
| 9 | Short-Term Loans Payable | 346,536 | 521,251 |
| 10 | Obligation Under Capital Leases | 2,292 | 2,677 |
| 11 | Pension, Retirement and Other Obligations (Note 12) | (34,259) | 150,817 |
| 12 | Loans Payable | 336,819 | 131,973 |
| 13 | Debentures | 1,869,455 | 1,657,103 |
| | **Total Liabilities** | **2,835,052** | **2,739,486** |
| | **NET DEBT** | **2,039,604** | **1,908,061** |
| | **NON-FINANCIAL ASSETS** | | |
| 14 | Tangible Capital Assets | 1,005,734 | 964,078 |
| 15 | Inventories and Property Holdings | 22,473 | 11,945 |
| 16 | Prepaid Expenses and Deferred Charges | 2,079 | 1,323 |
| | **Total Non-Financial Assets** | **1,030,286** | **977,346** |
| | **ACCUMULATED DEFICIT** | **1,009,318** | **930,715** |

**Supplementary Information**

17 Trust Funds
18 Guaranteed Debt

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

# PROVINCE OF PRINCE EDWARD ISLAND

**Consolidated Statement of Operations and Accumulated Deficit**
**for the year ended March 31, 2013**

| Schedule | | 2013 Budget Unaudited ($000) | 2013 Actual ($000) | 2012 Actual Restated ($000) |
|---|---|---|---|---|
| | **REVENUES** | | | |
| 21 | Taxes | 776,001 | 782,547 | 756,414 |
| 22 | Licenses and Permits | 30,329 | 27,661 | 24,991 |
| 23 | Fees and Services | 55,931 | 58,244 | 55,601 |
| 24 | Sales | 26,578 | 27,927 | 22,832 |
| 25 | Investments | 14,705 | 14,515 | 15,052 |
| 26 | Other | 17,387 | 30,990 | 23,122 |
| 27 | Government of Canada | 621,756 | 595,373 | 630,703 |
| 4 | Government Business Enterprises | 48,243 | 48,531 | 46,171 |
| 5 | Sinking Fund Earnings | 11,350 | 11,235 | 12,233 |
| | **Total Revenues** | **1,602,280** | **1,597,023** | **1,587,119** |
| | **EXPENSES** | | | |
| 28 | Agriculture and Forestry | 78,276 | 78,986 | 73,096 |
| | Auditor General | 1,770 | 1,594 | 1,742 |
| 29 | Community Services and Seniors | 90,260 | 88,611 | 100,520 |
| 30 | Education and Early Childhood Development | 231,345 | 230,199 | 225,955 |
| 31 | Environment, Labour and Justice | 60,072 | 60,392 | 58,995 |
| | Executive Council | 8,857 | 8,436 | 9,121 |
| 32 | Finance, Energy and Municipal Affairs | 141,190 | 133,593 | 136,013 |
| 33 | Fisheries, Aquaculture and Rural Development | 16,269 | 14,703 | 17,997 |
| 34 | Health and Wellness | 577,116 | 580,789 | 559,476 |
| 35 | Innovation and Advanced Learning | 155,109 | 153,068 | 161,365 |
| | Legislative Assembly | 4,860 | 4,859 | 5,876 |
| | Public Service Commission | 7,696 | 7,563 | 7,918 |
| 36 | Tourism and Culture | 33,777 | 32,182 | 32,316 |
| 37 | Transportation and Infrastructure Renewal | 101,722 | 102,330 | 116,105 |
| | **Total Program Expenses** | **1,508,319** | **1,497,305** | **1,506,495** |
| | Interest Charges on Debt | 110,747 | 116,219 | 106,557 |
| 14 | Amortization of Tangible Capital Assets | 58,127 | 62,102 | 58,170 |
| | **Total Expenses** | **1,677,193** | **1,675,626** | **1,671,222** |
| | **ANNUAL DEFICIT** | **(74,913)** | **(78,603)** | **(84,103)** |
| | Accumulated Deficit, Beginning of Year | | (930,715) | (885,687) |
| | Accounting Changes (Note 3) | | - | 90,607 |
| | Prior Period Adjustments (Note 4) | | - | (51,532) |
| | **ACCUMULATED DEFICIT, END OF YEAR** | | **(1,009,318)** | **(930,715)** |

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

# PROVINCE OF PRINCE EDWARD ISLAND

**Consolidated Statement of Changes in Net Debt**
**for the year ended March 31, 2013**

| | 2013 Budget Unaudited ($000) | 2013 Actual ($000) | 2012 Actual Restated ($000) |
|---|---|---|---|
| **NET DEBT, BEGINNING OF YEAR** | **1,908,061** | **1,908,061** | **1,708,862** |
| Accounting Changes (Note 3) | - | - | 1,028 |
| Prior Period Adjustments (Note 4) | - | - | 51,532 |
| **Restated Net Debt, Beginning of Year** | **1,908,061** | **1,908,061** | **1,761,422** |
| **Changes in Year** | | | |
| Annual Deficit | 74,913 | 78,603 | 84,103 |
| Acquisition of Tangible Capital Assets | 101,173 | 108,064 | 127,645 |
| Amortization of Tangible Capital Assets | (58,127) | (62,102) | (58,170) |
| Net Book Value of Tangible Capital Asset Disposals | - | (2,721) | (2,923) |
| Net Book Value of Tangible Capital Asset Adjustments | - | (1,585) | (411) |
| Change in Inventories and Property Holdings | - | 10,528 | (1,186) |
| Change in Prepaid Expenses and Deferred Charges | - | 756 | (2,419) |
| **Increase in Net Debt** | **117,959** | **131,543** | **146,639** |
| **NET DEBT, END OF YEAR** | **2,026,020** | **2,039,604** | **1,908,061** |

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

# PROVINCE OF PRINCE EDWARD ISLAND

**Consolidated Statement of Cash Flow**
**for the year ended March 31, 2013**

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **Operating Activities** | | |
| Deficit for the year | (78,603) | (84,103) |
| Amortization of Tangible Capital Assets | 62,102 | 58,170 |
| Changes in: | | |
| Accounts and Taxes Receivable | (3,847) | (31,017) |
| Prepaid Expenses and Deferred Charges | (756) | 2,419 |
| Inventories and Property Holdings | (10,528) | 1,186 |
| Deferred Revenue and Credits | (1,432) | (8,858) |
| Accounts Payable and Accrued Liabilities | 39,976 | 29,440 |
| Pension, Retirement and Other Obligations | (185,076) | 50,680 |
| **Cash Provided by (Used for) Operating Activities** | **(178,164)** | **17,917** |
| **Investing Activities** | | |
| Changes in: | | |
| Loans Receivable | 4,826 | (26,028) |
| Investments | 228 | (51) |
| Investment in Government Business Enterprises | (18,724) | (18,111) |
| **Cash Provided by (Used for) Investing Activities** | **(13,670)** | **(44,190)** |
| **Capital Activities** | | |
| Acquisition of Tangible Capital Assets | (108,064) | (127,645) |
| Disposal of Tangible Capital Assets | 2,721 | 2,923 |
| Adjustment of Tangible Capital Assets | 1,585 | 411 |
| **Cash Provided by (Used for) Capital Activities** | **(103,758)** | **(124,311)** |
| **Financing Activities** | | |
| Debentures Issued | 331,971 | 109,794 |
| Debentures Matured | (116,971) | (59,794) |
| Changes in: | | |
| Short-Term Loans Payable | (174,715) | 154,885 |
| Loans Payable | 204,846 | (24,581) |
| Debenture Discount | (2,648) | 4,396 |
| Obligation Under Capital Leases | (385) | (372) |
| Sinking Fund | 43,697 | 1,807 |
| **Cash Provided by (Used for) Financing Activities** | **285,795** | **186,135** |
| Change in Cash and Short-Term Investments | (9,797) | 35,551 |
| Cash and Short-Term Investments, Beginning of Year | 49,444 | 13,893 |
| **Cash and Short-Term Investments, End of Year** | **39,647** | **49,444** |

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

# PROVINCE OF PRINCE EDWARD ISLAND

**Notes to the Consolidated Financial Statements**
**as at March 31, 2013**

## 1 Reporting Entity

### (a) The Provincial Reporting Entity

The provincial reporting entity is comprised of the Province's Operating Fund (departments and government units) and those Agencies, Boards, and Crown Corporations, which are controlled by the Province. Control is defined as the power to govern the financial and operating policies of another organization. These consolidated financial statements include those organizations, which make up the provincial reporting entity combining their accounts and financial activities.

Government Business Enterprises (GBEs) are those Agencies, Boards, and Crown Corporations which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity.

A listing of the organizations within the provincial reporting entity is provided in Schedule 41 – Provincial Reporting Entity.

The consolidated financial statements do not include the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2012, had assets of $194.2 million (2011 - $174.5 million) and liabilities of $155.8 million (2011 - $153.4 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

The consolidated financial statements do not include Holland College. The Province has reviewed the nature of the relationship between it and the College and has decided to make legislative changes regarding that relationship. These legislative changes will be introduced in 2014. The College, at March 31, 2013 had assets of $100.4 million (2012 - $108.5 million) and liabilities of $89.0 million (2012 - $91.8 million). For the year ended March 31, 2013 the College had revenues of $59.5 million (2012 - $59.1 million) and expenses of $57.3 million (2012 - $55.9 million).

### (b) Methods of Consolidation

The Province's Operating Fund and those Agencies, Boards, and Crown Corporations not classified as GBEs are included in the consolidated financial statements using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated and the organizations are reported as if they were one organization.

GBEs are included in the consolidated financial statements using the modified equity method of accounting. The modified equity method reports the percentage of a GBE's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Net income of GBEs is reported as a separate revenue item in the Consolidated Statement of Operations and Accumulated Deficit. Inter-organizational balances and transactions are not eliminated. Schedule 4 presents condensed financial information of the Province's GBEs.

## 2 Significant Accounting Policies

### (a) Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for the public sector. The Province complies with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) wherever applicable. PSAB standards are supplemented, where appropriate, by other CICA accounting pronouncements.

### (b) Financial Assets

Financial Assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations.

Cash and Short-Term Investments represents the cash position including bank balances and short-term investments. The Province has an available credit facility with a financial institution in the amount of $20 million for the General Account. The credit facility expires December 31, 2014.

Accounts and Taxes Receivable are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Investments are recorded at the lower of cost or net realizable value with the exception of investments in private companies that are considered to be concessionary, which are recorded at one-half of cost, and net investment in leases, which are recorded at the net present value of minimum lease payments receivable. A provision for loss is established.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described in Note 1.

Sinking Fund assets are recorded at cost plus accrued interest. A portion of the Sinking Fund assets are externally restricted.

Loans Receivable are recorded at cost less adjustments for impairment in value and concessionary terms. Where concessionary terms apply loans are reported at their net present value. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules. A provision for loss is established for doubtful accounts. Interest revenue is recognized on an accrual basis until such time that the collectability of either principal or interest is not reasonably assured.

### (c) Liabilities

Deferred Revenue and Credits represent amounts received but not yet earned.

Accounts Payables and Accrued Liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Short-Term Loans Payable are recorded at cost, which approximates market value less unamortized discounts.

Obligation Under Capital Leases represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension, Retirement and Other Obligations represent the Province's net liability for future employee benefit obligations as calculated using an accrued benefits actuarial method on an accounting basis. The net liability represents the present value of accrued benefits less the market value of assets plus or minus deferred gains or losses to be amortized.

Loans Payable are recorded at face value less adjustments for concessionary terms.

Debentures represent the gross funded debt of the Province of P.E.I. public debenture issues and Canada Pension Plan debenture issues less unamortized discounts and premiums.

**(d) Net Debt**

The Province's consolidated financial statements are presented so as to highlight net debt as the measure of financial position. The net debt of the Province is determined as its liabilities less its financial assets.

**(e) Non-Financial Assets**

Non-Financial Assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities. They are normally employed to deliver government services and may be consumed in the normal course of operations.

Tangible Capital Assets are recorded at historical cost, or estimated cost where historical cost information is not available. Amortization is calculated using the straight line method at the following rates:

| | |
|---|---|
| Land Improvements | 5 - 12 years |
| Buildings and Improvements | 10 - 40 years |
| Leasehold Improvements | Based on length of lease |
| Roads | 10 - 20 years |
| Bridges | 20 - 40 years |
| Motor Vehicles | 5 - 10 years |
| Equipment | 1 - 20 years |
| Other | 5 - 40 years |

Tangible Capital Assets do not include works of art and historical treasures because a reasonable estimate of the future benefits associated with such property cannot be made. Works of art and historic property consist mainly of paintings, drawings, prints, artifacts, and photographs. The cost of works of art and historic property are expensed in the fiscal year in which they are acquired.

Inventories consist of items on hand which were purchased for consumption or use by the Province in the course of its operations. They are recorded at cost and expensed as they are consumed. Inventories consist of medical and drug supplies, fuel, repair parts, highway materials, textbooks etc.

Property Holdings are recorded at the lower of cost or net realizable value.

Prepaid Expenses and Deferred Charges are goods and services purchased which will provide economic benefits in future periods.

**(f) Accumulated Deficit**

Accumulated Deficit is the net debt of the Province less non-financial assets. It represents the accumulated balance of annual surpluses and deficits arising from operations of the Province.

**(g) Revenues**

Revenues are recorded on an accrual basis.

Revenue from the Government of Canada, under Federal–Provincial fiscal arrangements (equalization, health and social transfers, etc), are based on estimated entitlements received which are adjusted against future years' revenues when actual results, or new information, become available.

Transfers from the Government of Canada are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recognized as revenue when the funds are used as intended.

Income taxes are collected by the Government of Canada on behalf of the Province under a tax collection agreement and are remitted to the Province monthly, net of credits. The remittances are based on the Government of Canada Department of Finance's best estimates for the taxation year, which are periodically adjusted until the income tax assessments for the year are finalized. The Province recognizes income tax revenues based on estimates, adjusted for known factors. Any adjustments upon finalization are recorded in the year they are identified.

Sales, fuel and tobacco tax revenues are recorded based on returns which are filed by collectors and taxpayers. Returns filed, or estimated for prior periods, adjustments and audit assessments are recognized as revenue in the period during which the return is filed or estimated, or the amount is determined.

Property tax revenues are recorded based on a pro-ration of actual property tax billings for each of the calendar years that comprise the fiscal year. Adjustments recorded subsequent to fiscal year end, due to adjustments to property assessments or provincial tax credits, are recognized as revenue adjustments in the period in which the adjustments are determined.

**(h) Expenses**

Expenses are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development and/or construction of tangible capital assets. They do not include operational expenses. The acquisition of tangible capital assets are not reported as expenses in the year the assets are acquired. Tangible capital assets are included in the Province's Consolidated Statement of Financial Position as non-financial assets and their cost is amortized over their estimated useful life.

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenses in the period during which both the payment is authorized and any eligibility criteria are met.

Provisions are made for probable losses or impairments in the value of the asset on certain loans, investments, loan guarantees and accounts receivable when it is likely that impairment in the value of the asset or a liability exists and the amount can be reasonably determined. These provisions are updated at least annually as estimates are revised.

## 3 Accounting Changes

### (a) Tangible Capital Asset Thresholds

During the year ended March 31, 2013, the Province amended its tangible capital asset policy, revising minimum cost thresholds for a number of asset categories. Prior year's transactions have been restated for expenditures that now meet the thresholds for capitalization. The comparative Consolidated Statement of Operations and Accumulated deficit for 2012 has been restated to reflect a decrease in Accumulated Deficit in the amount of $8.3 million at April 1, 2011 and an increase in expenses of $182 thousand for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect an increase in Tangible Capital Assets in the amount of $8.3 million, a decrease in Property Holdings in the amount of $199 thousand and a decrease in Accumulated Deficit in the amount of $8.1 million.

### (b) Capital Contributions

Under previous Canadian accounting standards for public sector entities, revenue received for the acquisition of tangible capital assets was deferred and amortized at the same rate as the related asset. PSAB Standard 3410, *Government Transfers*, recommends that funds received be treated as revenue in the year received where the transfer is authorized and no stipulations exist. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect a decrease in Accumulated Deficit in the amount of $83.4 million at April 1, 2011, an increase in revenues of $9.6 million and an increase in expenses of $8.4 million for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect the elimination of Deferred Capital Contributions in the amount of $85.7 million and a decrease in Accumulated Deficit by $84.6 million.

### (c) Prepaid Expense

Under previous Canadian accounting standards for public sector entities, grants paid in advance were treated as prepaid expenses and recognized as expenses in the year when the funds were used for their intended purpose. PSAB Standard 3410, *Government Transfers*, recommends that expenditures be treated as expense in the year the funds are expensed where the expenditure is authorized and no stipulations exist. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect an increase in Accumulated Deficit in the amount of $1.1 million at April 1, 2011 and an increase in expenses of $3.3 million for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect an increase in Accounts Payable and Accrued Liabilities in the amount of $749 thousand a decrease in Prepaid Expenses and Deferred Charges in the amount of $3.7 million and an increase in Accumulated Deficit in the amount of $4.4 million.

### (d) Summary of Accounting Changes at April 1, 2011

| | Net Debt ($000) | Accumulated Deficit ($000) |
|---|---|---|
| Tangible Capital Asset Thresholds | - | (8,299) |
| Capital Contributions | 1,028 | (83,417) |
| Prepaid Expense | - | 1,109 |
| **Total** | **1,028** | **(90,607)** |

## 4 Prior Period Adjustments

### (a) International Financial Reporting Standards – P.E.I. Liquor Control Commission

In accordance with IFRS requirements to componentize property, plant and equipment, the P.E.I. Liquor Control Commission has restated prior period amounts at March 31, 2013. The Operating Fund has also restated prior period amounts for these changes. The comparative Consolidated Statement of Operations and Accumulated deficit for 2012 has been restated to reflect a decrease in Accumulated Deficit in the amount of $980.1 thousand at April 1, 2011 and a decrease in revenues of $1.4 thousand for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect an increase in Accounts Receivable in the amount of $978.7 thousand and a decrease in Accumulated Deficit by the same amount.

### (b) International Financial Reporting Standards – P.E.I. Lotteries Commission

In accordance with IFRS, adjustments to the carrying amount of an investment in an associate may be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Atlantic Lottery Corporation Inc. has undistributed amounts in its accumulated other comprehensive loss and deficit of which the Commission's portion is significantly different than originally calculated. As a result prior period figures have been restated. The comparative Consolidated Statement of Operations and Accumulated deficit for 2012 has been restated to reflect an increase in Accumulated Deficit of $823 thousand at April 1, 2011 and an increase in revenues of $101 thousand for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect a decrease in Investment in Government Business Enterprises in the amount of $722 thousand and an increase in Accumulated Deficit by the same amount.

### (c) Sick Leave Accrual

Accumulated unused sick leave benefits available to employees of the Province are not vested, however future utilization of these benefits is considered to be an obligation of the Province. PSAB Standard 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, recommends that a liability be recorded for sick leave obligations. A report has been prepared by the Province's actuary providing the amount of the liability and the annual cost to be recorded for accumulated sick leave. The comparative Consolidated Statement of Operations and Accumulated deficit for 2012 has been restated to reflect an increase in Accumulated Deficit in the amount of $45.3 million at April 1, 2011 and an increase in expenses of $1.8 million for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect an increase in Pension, Retirement and Other Obligations in the amount of $47.1 million and an increase in Accumulated Deficit by the same amount.

### (d) Amount Due From Hospital Foundation

A review of amounts due to Health PEI from a hospital foundation, for the acquisition of a capital asset, has resulted in the determination that a timing error was made and the account receivable was recorded before it was actually due. The Operating Fund has restated prior period amounts for this error because the transaction was recorded prior to the creation of Health PEI. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect an increase in Accumulated Deficit in the amount of $600 thousand at April 1, 2011. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect decrease in

accounts and taxes receivable in the amount of $600 thousand and an increase in Accumulated Deficit by the same amount.

**(e) Teachers' Deferred Salary Banks**

With the transition of the Province's school boards from a June 30 to a March 31 year-end it has been determined that a liability exists at March 31 related to the deferral of teachers' salaries which has not been recorded. The Operating Fund has restated prior period amounts for this error. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect an increase in Accumulated Deficit in the amount of $7.2 million at April 1, 2011 and an increase in expenses of $386 thousand for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect an increase in Accounts Payable and Accrued Liabilities in the amount of $7.6 million and an increase in Accumulated Deficit by the same amount.

**(f) P.E.I. Regulatory and Appeals Commission**

As a result of obtaining an actuarial valuation it has been determined that employee future benefits liability has been overstated in prior periods. Financial statement amounts that are presented for comparative purposes have been restated. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect a decrease in Accumulated Deficit in the amount of $156 thousand at April 1, 2011 and a decrease in expenses of $42 thousand for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect a decrease in Accounts Payable and Accrued Liabilities in the amount of $198 thousand and a decrease in Accumulated Deficit by the same amount.

**(g) Pension Obligation – Civil Service Superannuation Fund**

A review of the calculation of pension obligations has resulted in the determination that liabilities have been understated in previous years. Financial statement amounts that are presented for comparative purposes have been restated. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect an increase in expenses in the amount of $5.1 million for the fiscal year 2011-2012. The Comparative Statement of Financial Position for 2012 has been restated to reflect an increase in Pension, Retirement and Other Obligations in the amount of $5.1 million and an increase in Accumulated Deficit by the same amount.

**(h) Government of Canada Revenue – Corporate Income Tax**

A review of amounts due from the Government of Canada for the taxation years 2011 and 2012 has resulted in the determination that Accounts Receivable have been understated in previous years. Financial statement amounts that are presented for comparative purposes have been restated. The comparative Consolidated Statement of Operations and Accumulated Deficit for 2012 has been restated to reflect a decrease in Accumulated Deficit in the amount of $1.3 million at April 1, 2011 and an increase in revenue in the amount of $3.8 million for the fiscal year 2011-2012. The comparative Consolidated Statement of Financial Position for 2012 has been restated to reflect an increase in Accounts and Taxes Receivable in the amount of $5.1 million and a decrease in Accumulated Deficit by the same amount.

**(i) Summary of Prior Period Adjustments at April 1, 2011**

| | Net Debt ($000) | Accumulated Deficit ($000) |
|---|---|---|
| P.E.I. Liquor Control Commission | (980) | (980) |
| P.E.I. Lotteries Commission | 823 | 823 |
| Sick Leave Accrual | 45,350 | 45,350 |
| Amount Due from Hospital Foundation | 600 | 600 |
| Teachers' Deferred Salary Banks | 7,183 | 7,183 |
| P.E.I. Regulatory and Appeals Commission | (156) | (156) |
| Corporate Income Tax | (1,288) | (1,288) |
| **Total** | **51,532** | **51,532** |

## 5 Cash and Short-Term Investments

As at March 31, 2013, Cash and Short-Term Investments of $15.8 million (2012 - $12.3 million) have been restricted for designated purposes by external parties. Restricted cash includes: $10.04 million for the Labour Market Development Agreement, $3.6 million for the Northumberland Power Cable Replacement Fund, $597 thousand by Health PEI, $24 thousand by Grain Elevators and $1.54 million for four other funds, which are internally restricted.

## 6 Sinking Fund

**(a) Description of Sinking Fund**

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future debt retirement. Earnings on Sinking Funds are reflected as current revenue.

Certain funds in the Sinking Fund designated for debentures are externally restricted and as a result cannot be used for other purposes. Instalment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund and as such are not treated as an expense. The instalment payments for the next five years are:

| | ($000) |
|---|---|
| 2013-2014 | 12,225 |
| 2014-2015 | 12,225 |
| 2015-2016 | 11,100 |
| 2016-2017 | 11,100 |
| 2017-2018 | 11,100 |

**(b) P.E.I. Issues Held by the Sinking Fund**

As at March 31, 2013, Sinking Fund investments include P.E.I. issues held but not cancelled in the amounts of:

| | | ($000) | | ($000) |
|---|---|---|---|---|
| **Debentures** | Par Value | 81,145 | Book Value | 90,423 |
| **Residuals** | Par Value | 50,995 | Book Value | 21,483 |

## 7 Solid Waste Landfill Closure and Post-Closure Liability

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of Island Waste Management Corporation (IWMC). IWMC is responsible for liabilities related to the closure and post-closure costs of the East Prince Landfill Site, which was in use at March 31, 2013. IWMC is also responsible for monitoring and administering post-closure issues at four landfill sites and a number of smaller government owned community dumps, which were closed prior to 2003. The Province is responsible for the costs associated with the closure and decommissioning of the sites closed prior to 2003, see Note 8 – Liability for Contaminated Sites.

IWMC has included in its liabilities at March 31, 2013 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of $1.8 million (2012 - $1.5 million).

## 8 Liability for Contaminated Sites

A liability for the remediation of a contaminated site is recorded by the Province when the following conditions exist:

- Contamination of a site exceeds existing environmental standards;
- The Province is directly responsible for the site or has accepted responsibility;
- It is expected that future benefits will be given up; and
- A reasonable estimate of the amount can be made.

The Province recognizes its responsibility regarding four landfill sites and a number of government owned community dumps, which were closed prior to 2003. It is unable to estimate the costs, if any, to remediate these sites due to the absence of a formal action plan. A provision amount of $1.85 million, has been established to deal with future costs, is included in Accounts Payable and Accrued Liabilities.

The materials within some building components owned by the Province contain levels of asbestos requiring remediation. The Province monitors the condition of these materials to ensure they are not posing a risk to the occupants of the buildings and will remove the material as these buildings are repaired and/or renovated. Total cost to remediate has not been determined. Costs associated with the remediation are recorded by the Province as incurred.

## 9 Contractual Obligations

The Province has entered into a number of multi-year contracts. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Significant obligations for the next five years and beyond include:

| | 2014 (000) | 2015 (000) | 2016 (000) | 2017 (000) | 2018 (000) | Thereafter (000) | Total (000) |
|---|---|---|---|---|---|---|---|
| **Operating Fund** | | | | | | | |
| 911 Contract | 666 | 679 | 693 | 707 | 721 | 3,030 | 6,496 |
| Beverage Container Program | 2,601 | 834 | - | - | - | - | 3,435 |
| Building Leases | 4,279 | 3,743 | 3,382 | 3,219 | 3,024 | 15,910 | 33,557 |
| Community Care Facilities | 7,900 | 2,025 | - | - | - | - | 9,925 |
| Early Years Centres | 8,545 | - | - | - | - | - | 8,545 |
| Highway Capital | 11,488 | - | - | - | - | - | 11,488 |
| Highway Maintenance & Safety | 9,515 | 9,488 | 9,268 | 9,266 | 9,301 | 8,966 | 55,804 |
| Holland College & UPEI [1] | 19,237 | 10,203 | 9,764 | 9,389 | 8,916 | 83,109 | 140,618 |
| Infrastructure | 5,800 | 4,800 | - | - | - | - | 10,600 |
| IT Service Contracts | 4,380 | - | - | - | - | - | 4,380 |
| Peoplesoft Upgrade | 878 | 1,624 | 630 | 630 | 630 | - | 4,392 |
| Provincial Policing Service Agreement | 13,284 | 13,284 | 13,556 | 13,834 | 14,082 | 225,746 | 293,786 |
| Public Works & Planning | 3,737 | 2,271 | 2,172 | 2,115 | 2,115 | 15,513 | 27,923 |
| Telephone Services | 1,800 | 1,800 | 1,800 | 1,350 | - | - | 6,750 |
| Training, Recruiting, Life Works Programs | 775 | 780 | 789 | 678 | - | - | 3,022 |
| Other Significant Obligations | 4,781 | 3,785 | 2,266 | 1,398 | 985 | - | 13,215 |
| **Agencies and Crown Corporations** | | | | | | | |
| Health PEI | 31,408 | 13,498 | 10,535 | 10,373 | 2,349 | 68 | 68,231 |
| Island Waste Management Corporation | 6,400 | 6,449 | 6,390 | 6,081 | 6,151 | 18,610 | 50,081 |
| P.E.I. Energy Corporation | 34,561 | 2,150 | 2,150 | 2,150 | 2,150 | 15,109 | 58,270 |
| P.E.I. Grain Elevators Corporation [2] | 2,206 | - | - | - | - | - | 2,206 |
| P.E.I. Housing Corporation | 775 | 799 | 823 | 847 | 873 | 3,284 | 7,401 |
| P.E.I. Liquor Control Commission | 1,108 | 778 | 651 | 350 | 181 | 803 | 3,871 |
| P.E.I. Regulatory & Appeals Commission | 180 | 180 | 180 | 180 | 180 | 720 | 1,620 |
| **Total** | **176,304** | **79,170** | **65,049** | **62,567** | **51,658** | **390,868** | **825,616** |

[1] The Province has various commitments to make debt service payments to Holland College and the University of Prince Edward Island (UPEI). The Province has provided to a financial institution written confirmation that the Province has approved annual funding grants to Holland College equal to the annual debt servicing requirements associated with the College's loans, provided annual eligibility criteria are met. The aggregate of the debt service payment commitments to Holland College and UPEI is $140.6 million. The commitments for the next five years are:

| | Holland College ($000) | UPEI ($000) | Total ($000) |
|---|---|---|---|
| 2013-2014 | 5,014 | 14,223 | 19,237 |
| 2014-2015 | 5,011 | 5,192 | 10,203 |
| 2015-2016 | 4,615 | 5,149 | 9,764 |
| 2016-2017 | 4,613 | 4,776 | 9,389 |
| 2017-2018 | 4,612 | 4,304 | 8,916 |

[2] P.E.I. Grain Elevators Corporation has a year end of July 31, 2012. The amount of $2.2 million as at March 31, 2013 is estimated.

## 10 Commitments

The nature of the Province's activities results in commitments against future appropriations. Significant financial commitments at March 31, 2013 include:

### (a) Loans

| | 2013 ($000) | 2012 ($000) |
|---|---|---|
| Loans approved but not disbursed at March 31: | | |
| Innovation PEI | - | 19,088 |
| Island Investment Development Inc. | 12,957 | 33,857 |
| Finance PEI | 8,922 | - |
| P.E.I. Lending Agency | - | 3,802 |
| | 21,879 | 56,747 |

### (b) Innovation PEI

The Agency has committed to disbursing $29.1 million (2012 - $30.7 million) for labour rebate program assistance, $8.1 million (2012 - $8.8 million) for enriched investment tax credits, $343 thousand (2012 - $743 thousand) in industry chair program assistance, $262 thousand (2012 – $417 thousand) for specialized labour rebates and $97 thousand (2012 - $117 thousand) for share purchase tax credit, over the next four years, provided the companies meet their eligibility requirements.

### (c) Island Waste Management Corporation

The Corporation has entered into a waste processing agreement dated August 8, 1995 to supply P.E.I. Energy Systems with a minimum annual guaranteed amount of 30,617 metric tonnes of waste. The 30 year agreement, expiring in August 2025, provides for the payment by IWMC of a $45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. Any shortage is the responsibility of IWMC. Current annual costs for the waste processing are estimated at $2.02 million (2012 - $1.99 million).

### (d) Charlottetown Area Development Corporation

The Province has committed funding in the amount of $15.8 million to the Charlottetown Area Development Corporation for the construction of the P.E.I. Convention Centre. As at March 31, 2013, $14.3 million has been incurred pursuant to this funding agreement. The balance of $1.5 million was disbursed subsequent to March 31, 2013.

As at March 31, 2013, the Corporation has $4.5 million remaining to be paid on $16.7 million in contracts that were awarded during the year for ongoing projects. Subsequent to March 31, 2013, an additional contract of $894 thousand was awarded and committed to be paid.

### (e) P.E.I. Lotteries Commission

The Commission has committed $300 thousand on an annual basis to support the implementation of the Responsible Gaming Strategy.

The Commission provides a grant to the City of Charlottetown pursuant to an arrangement between the City and the Province, whereby the City will receive $400 thousand per annum for ten years beginning with the year ended December 31, 2005. This amount is subject to adjustment when the

Red Shores Racetrack & Casino at the Charlottetown Driving Park operates less than 300 days in a given year.

On behalf of the Commission, Atlantic Lottery Corporation Inc. operates Red Shores at Summerside Raceway, occupying facilities, which are leased from the City of Summerside. The lease is an operating lease having future minimum lease payments of $335 thousand for each of the next five years and minimum future aggregate lease payments to the end of the 15-year lease term totalling $3.8 million.

**(f) Health PEI**

Health PEI has outstanding contractual commitments for capital assets relating to projects that commenced on or before March 31, 2013, and are still incomplete. It is expected that Health PEI will pay $9.4 million to complete the projects.

**(g) P.E.I. Energy Corporation**

The Corporation is contractually obligated, through the Power Purchase Agreements totalling 19 megawatts with private wind developers, to purchase all wind power produced, and then sell all wind power purchased to Maritime Electric Company Ltd. These Power Purchase Agreements expire in 2026 (9 megawatts) and 2036 (10 megawatts).

The Corporation is contractually obligated, through Power Purchase Agreements totalling 40.56 megawatts, to sell all wind power produced at its wind farm facilities to Maritime Electric Company Ltd. These Power Purchase Agreements expire in 2022 (5.28 megawatts), 2024 (5.28 megawatts) and 2026 (30 megawatts).

## 11 Contingent Liabilities

**(a) Claims Outstanding**

The Province is subject to legal actions arising in the normal course of business. At March 31, 2013 there were a number of outstanding claims arising from legal action in progress against the Crown.

The cost, if any, of most of the claims outstanding will be paid through the P.E.I. Self-Insurance and Risk Management Fund. The P.E.I. Self-Insurance and Risk Management Fund was established in 1988 under Part II of the *Financial Administration Act*. The Fund provides general liability insurance, errors and omissions insurance, primary property and crime insurance, and automobile liability insurance. At March 31, 2013, Fund reserves were $5.8 million (2012 - $4.8 million). Claims amounting to $2.0 million were settled in the current year (2012 - $1.9 million). The estimated amount for claims outstanding at March 31, 2013 is $4.4 million (2012 - $3.9 million). The Fund carries an excess liability policy limiting the liability of the Fund.

At March 31, 2013, a loss provision of $1.2 million (2012 - $2.1 million) has been recorded for legal action claims not covered through the P.E.I. Self-Insurance and Risk Management Fund. The cost to the Province resulting from legal actions cannot be determined because the outcome of these actions is uncertain.

**(b) Credit Union Deposit Insurance Corporation**

The *Credit Unions Act* states that the Province shall ensure that the obligations of the Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by P.E.I. credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2012 the CUDIC had an equity balance of $11.7 million (2011 - $10.9 million).

Deposits insured by CUDIC, on the basis of returns received from its member institutions, as at December 31, 2012, were $647.1 million (2011 - $620.8 million). The Province's contingent liability, if any, is offset by equity held by the CUDIC, Atlantic Central Credit Union and the ten credit unions on P.E.I.

**(c) P.E.I. Energy Corporation**

At March 31, 2013 the balance of an irrevocable stand-by letter of credit, entered into on behalf of a wind energy company, was $920 thousand (2012 - $3.4 million).

The Corporation has entered into a contract with the Department of Natural Resources (NRCan) under the Wind Power Production Incentive program. In the event that revenue from the sale of production of the wind farm exceeds the standardized market value of that production, the incentives received must be repaid to NRCan. An estimate of the financial effect of this contingent liability has not been disclosed as it is considered impractical to do so.

**(d) Finance PEI**

A counterclaim has been commenced against Finance PEI in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. It is management's opinion that no liability is likely to arise as a result of the counterclaim. The counterclaim is presently still on going.

**(e) Guaranteed Debt**

The Province has guaranteed the repayment of a variety of types of loans. Guarantees amounting to $279.9 million (2012 - $266.7 million) are reported in Schedule 18.

## 12 Pension, Retirement and Other Obligations

**(a) Basis of Accounting for Obligations**

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. The Province uses assumptions developed for accounting purposes.

**(b) Pension Funds**

**Civil Service Superannuation Fund**

Employees of the Province, and some of its entities, are entitled to receive pension benefits pursuant to the provisions of a pension plan under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years of service times 2 percent of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent.

The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance, Energy and Municipal Affairs. The plan is funded by employee contributions, which are matched by the employer, as well as, employer special payments as needed.

Prior to January 2013, the plan was funded by employee contributions equal to 7.09 percent of the portion of their salary up to the Year's Maximum Pensionable Earnings (YMPE) and 8.75 percent on earnings above the YMPE. Effective January 2013, contribution rates were increased to 8.09 percent for earnings below the YMPE, and 9.75 percent for earnings above the YMPE.

By Act, the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. In addition, a funding policy has been adopted which requires the Province to make special contributions when the Fund's funding level declines below 90 percent. As a result of an unfunded liability at April 1, 2005, the Province made a special contribution through the signing of a $52.0 million promissory note. The note, which is held by the Fund, is receivable in ten equal instalments of $5.2 million beginning October 15, 2006. Interest on the note is accrued at a rate of 4.41 percent per annum and is receivable semi-annually on April 15 and October 15. Prior to October 15, 2015 any monies owing may be suspended on six months prior notice if the Minister of Finance, Energy and Municipal Affairs deems the funding level of the Fund, excluding any outstanding balances on promissory notes, to be at a level of 90 percent on a going concern basis as defined in the *Province of Prince Edward Island Funding Policy for Government Sponsored Registered Pension Plans*. Interest will be accrued to the date of any suspension implemented. Any monies suspended prior to and including October 15, 2015 are no longer due and owing. Provided no further monies are payable, the promissory note shall be deemed paid in full.

The Province legislated plan design changes for the Civil Service Superannuation Fund subsequent to year-end. For a detailed explanation, please see Note 18.

On December 11, 2012 the Province made a special contribution to the Fund by issuing a $150.8 million promissory note. The note is receivable in ten equal instalments of $15.1 million beginning April 1, 2013. Interest on the note is accrued at a rate of 2.90 percent per annum and is receivable semi-annually on April 1 and October 1. The note can be cancelled at any time prior to April 1, 2022, by the Province of Prince Edward Island, as represented by the Minister of Finance, Energy, and Municipal Affairs, provided six months prior written notice is given to the Civil Service Superannuation Fund, and the actuary for the Civil Service Superannuation Fund deems the funding level of the plan, excluding any outstanding balance of this Promissory Note, to be at a level of 90 percent , pursuant to an actuarial valuation for funding purposes conducted in accordance with accepted actuarial practice in Canada. In the event that the note is cancelled, interest will be accrued to the cancellation date.

**Teachers' Superannuation Fund**

The *Teachers' Superannuation Act* established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. Pension benefits are based on the number of years of service times 2 percent of the best five years' average salary. The plan provides for inflation protection to a maximum of 4 percent.

The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance, Energy and Municipal Affairs. The plan is funded by employee contributions, which are matched by the employer, as well as, employer special payments as needed.

Prior to January 2013, the plan was funded by employee contributions equal to 7.3 percent of the portion of their salary up to the Year's Maximum Pensionable Earnings (YMPE) and 9.0 percent on earnings above the YMPE. Effective January 2013, contribution rates were increased to 8.3 percent for earnings below the YMPE, and 10.0 percent for earnings above the YMPE.

By Act, the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. In addition, a funding policy has been adopted which requires the Province to make special contributions when the Fund's funding level declines below 90 percent. As a result of an unfunded liability at July 1, 2005, the Province made a special contribution through the signing of a $160.0 million promissory note. The note, which is held by the Fund, is receivable in ten equal instalments of $16.0 million beginning April 15, 2005. Interest on the note is accrued at a rate of 4.345 percent per annum and is receivable semi-annually on April 15 and October 15. Prior to April 15, 2014, any monies owing may be suspended on six months prior notice if the Minister of Finance, Energy and Municipal Affairs deems the funding level of the fund, excluding any outstanding balances on promissory notes, to be at a level of 90 percent on a going concern basis as defined in the *Province of Prince Edward Island Funding Policy for Government Sponsored Registered Pension Plans*. Interest will be accrued to the date of any suspension implemented. Any monies suspended prior to and including April 15, 2014 are no longer due and owing. Provided no further monies are payable, the promissory note shall be deemed paid in full.

The Province legislated plan design changes for the Teachers' Superannuation Fund subsequent to year-end. For a detailed explanation, please see Note 18.

On December 11, 2012 the Province made a special contribution to the Fund by issuing a $80.4 million promissory note. The note is receivable in ten equal instalments of $8.04 million beginning April 1, 2013. Interest on the note is accrued at a rate of 2.90 percent per annum and is receivable semi-annually on April 1 and October 1. The note can be cancelled at any time prior to April 1, 2022, by the Province of Prince Edward Island, as represented by the Minister of Finance, Energy, and Municipal Affairs, provided six months prior written notice is given to the Teachers' Superannuation Fund, and the actuary for the Teachers' Superannuation Fund deems the funding level of the plan, excluding any outstanding balance of this Promissory Note, to be at a level of 90 percent , pursuant to an actuarial valuation for funding purposes conducted in accordance with accepted actuarial practice in Canada. In the event that the note is cancelled, interest will be accrued to the cancellation date.

**Pension Plan for Members of the Legislative Assembly**

The *Legislative Assembly Act* provides for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, Speaker, Deputy Speaker, Leader of the Opposition, Government House Leader,

Opposition House Leader, Government Whip, and Opposition Whip. The Commission established the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" and designated the Minister of Finance, Energy and Municipal Affairs as Administrator having responsibility for the day-to-day operation and administration of the plan. Pension benefits are based on criteria which differ depending on the period of service. The criteria for the different periods are as follows:

(i) For the period up to and including June 30, 1994, annual Members' pensions are equal to the lesser of 75 percent of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75 percent of contributions and one half of the highest annual salary as a Minister.

(ii) For the period July 1, 1994 to March 31, 2001, benefits are based on the number of years of service times 2 percent of the best thirty-six consecutive months' average indemnity and salary earned by the member.

(iii) For the period on or after April 1, 2001, benefits are 25 percent of the required contributions made by the participant commencing after April 1, 2001, indexed annually by the percentage increase in the Consumer Price Index, subject to a maximum increase of 8 percent per annum.

The plan provides a pre-retirement inflation protection equal to the increase in the Consumer Price Index to a maximum of 8 percent. Post-retirement inflation protection is the increase in the Consumer Price Index minus 2 percent, to a maximum of 8 percent.

This plan operates within the Pension Plan for Members of the Legislative Assembly of Prince Edward Island Fund and is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance, Energy and Municipal Affairs. The Province is required to make contributions to the Fund to ensure that there is sufficient money to cover the cost of current service accruals as well as provide for the proper amortization of any unfunded liability. The plan text and tax legislation require that an employer contribution holiday must be taken while the plan is in a surplus position.

**Pension Plan for Members of the Legislative Assembly (Supplementary)**

The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. Supplementary benefits are provided for service rendered subsequent to June 30, 1994 and the amount of benefit is approximately equal to those benefits provided under the Pension Plan for Members of the Legislative Assembly of Prince Edward Island. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 8 percent.

**Senior Compensation Program**

An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years' participation in the Senior Compensation Program to a maximum of 5 years times 2 percent of the best three years' average

salary. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6 percent.

**Pension Plan for Judges – Old**

The *Provincial Court Act* provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. Pension benefits are based on two thirds of the salary payable to the judge at the time of retirement. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 8 percent.

**Pension Plan for Judges – New**

The *Provincial Court Act* established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years' service times 3 percent of the best three years' average salary less benefits received under the Civil Service Superannuation Plan. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6 percent.

**Summary of Plan Membership, Contributions and Payments**

| | 2013 | 2012 |
|---|---|---|
| **Civil Service Superannuation Fund** | | |
| Number of Active Members | 7,104 | 6,983 |
| Employee Current Service Contributions | $27.0 million | $25.0 million |
| Number of Retirees | 3,343 | 3,059 |
| Benefit Payments | $54.6 million | $49.9 million |
| **Teachers' Superannuation Fund** | | |
| Number of Active Members | 1,857 | 1,842 |
| Employee Current Service Contributions | $9.4 million | $8.7 million |
| Number of Retirees | 1,540 | 1,456 |
| Benefit Payments | $42.7 million | $40.8 million |
| **Pension Plan for Members of the Legislative Assembly** | | |
| Number of Active Members | 27 | 27 |
| Employee Current Service Contributions | $196.1 thousand | $192.7 thousand |
| Number of Retirees | 83 | 86 |
| Benefit Payments | $1.31 million | $1.32 million |
| **Pension Plan for Members of the Legislative Assembly (Supplementary)** | | |
| Number of Active Members | 27 | 27 |
| Number of Retirees | 47 | 47 |
| Benefit Payments | $320.9 thousand | $309.1 thousand |
| **Senior Compensation Program** | | |
| Number of Active Members | 29 | 31 |
| Number of Retirees | 48 | 42 |
| Benefit Payments | $543.5 thousand | $499.3 thousand |

| | | |
|---|---|---|
| **Pension Plan for Judges – Old** | | |
| Number of Active Members | 1 | 1 |
| Number of Retirees | 4 | 4 |
| Benefit Payments | $368.7 thousand | $389.2 thousand |
| **Pension Plan for Judges – New** | | |
| Number of Active Members | 2 | 2 |
| Number of Retirees | 0 | 0 |

**Actuarial Valuations / Estimates**

Actuarial valuations of the Province's pension funds are carried out every three years. An estimated update, which is a calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group as follows:

| | 2013 | 2012 |
|---|---|---|
| Civil Service Pension Fund | 13 years | 13 years |
| Teachers' Pension Fund | 14 years | 14 years |
| MLA Pension Fund & Supplementary | 2 years | 2 years |
| Senior Compensation Pension Plan | 6 years | 6 years |
| Judges Pension Plan (Old) | 10 years | 10 years |
| Judges Pension Plan (New) | 5 years | 5 years |

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the most recent valuations performed at April 1, 2011 are as follows:

| | Expected Inflation Rate | Discount Rate Used to Determine Accrued Obligation | Expected Rate of Return on Plan Assets | Salary Escalation |
|---|---|---|---|---|
| Civil Service Pension Fund | 2.50% | 7.37% | 7.37% | 2.50% |
| Teachers' Pension Fund | 2.50% | 7.37% | 7.37% | 2.50% |
| MLA Pension Fund | 2.50% | 7.37% | 7.37% | 2.50% |
| MLA Plan (Supplementary) | 2.50% | 4.68% | N/A | 2.50% |
| Senior Compensation Pension Plan | 2.50% | 4.74% | N/A | 2.50% |
| Judges Pension Plan (Old) | 2.50% | 4.68% | N/A | 2.50% |
| Judges Pension Plan (New) | 2.50% | 4.72% | N/A | 2.50% |

The following are the most recent actuarial valuations for the Province's pension funds:

| | Civil Service Fund | Teachers' Fund | MLA Fund | MLA Plan (Supp.) | Senior Comp. Pension Plan | Judges Pension Plan (Old) | Judges Pension Plan (New) |
|---|---|---|---|---|---|---|---|
| Date of Valuation | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 |
| | **($000)** | **($000)** | **($000)** | **($000)** | **($000)** | **($000)** | **($000)** |
| Actuarial Liability | 1,118,236 | 630,741 | 15,759 | 9,526 | 15,912 | 6,951 | 1,201 |
| Fund Assets | 967,953 | 540,154 | 19,961 | N/A | N/A | N/A | N/A |
| **Unfunded Liability (Surplus)** | **150,283** | **90,587** | **(4,202)** | **9,526** | **15,912** | **6,951** | **1,201** |

Actuarial assumptions are reviewed by Government as a component of the year-end accounting and compliance work. Following this review, government announced that as of March 31, 2013 their best estimate of the province's funded pension plans discount rates and expected rate of return on assets should be adjusted as follows:

| | Discount rate used to determine Accrued Benefit Obligation | Expected rate of return on Plan Assets |
|---|---|---|
| Civil Service Pension Fund | 6.86% | 6.86% |
| Teachers' Pension Fund | 6.86% | 6.86% |
| MLA Pension Fund | 6.86% | 6.86% |

An overview of the assumptions used in the extrapolation of the accrued benefit for the year ended March 31, 2013 is as follows:

| | Mortality Factor | Retirement Age | Discount Rate | Salary Escalation | Pension Cost of Living Increase |
|---|---|---|---|---|---|
| **Civil Service Pension Fund** | GAR94 projected to 2000 using Scale AA for males and females | Members are assumed to retire upon attaining "Rule of 90" (age plus credit service totals 90) but not before age 55 and not after age 63 | 6.86% | 2.50% | 2.40% |
| **Teachers' Pension Fund** | GAR94 projected to 2000 using Scale AA for males and females | 35 years of pensionable service or when age plus pensionable service is 86 (but not under age 55 or with less than 30 years of service); in any case, not over age 60 unless already over age 60, and no earlier than one year after the valuation date. | 6.86% | 2.50% | 1.40% |
| **MLA Pension Fund** | GAR94 projected to 2000 using Scale AA for males and females | Members aged 55 and over assumed to retire in one year. Members aged 46 to 54 are assumed to retire in five years and Members under 46 are assumed to retire at age 50 | 6.86% | 2.50% | 2.50%Pre-Retirement; 0.50% Post-Retirement |
| **MLA Supplementary Fund** | GAR94 projected to 2000 using Scale AA for males and females | Members aged 55 and over assumed to retire in one year. Members aged 46 to 54 are assumed to retire in five years and Members under 46 are assumed to retire at age 50 | 4.68% | 2.50% | 2.50%Pre-Retirement; 0.50% Post-Retirement |

| | Mortality Factor | Retirement Age | Discount Rate | Salary Escalation | Pension Cost of Living Increase |
|---|---|---|---|---|---|
| **Senior Compensation Pension Plan** | GAR94 projected to 2000 is used after retirement and before retirement it is none | Later of age 55 or at which 5 years of SCP service is completed. All members, who at the valuation date have attained the retirement age under the above assumptions, are assumed to retire in one year. | 4.74% | 2.50% | 2.40% |
| **Judges Pension Plan (Old)** | GAR94 projected to 2000 is used after retirement and before retirement it is none | Age 65 | 4.68% | 2.50% | 2.40% |
| **Judges Pension Plan (New)** | GAR94 projected to 2000 is used after retirement and before retirement it is none | Age 65 | 4.72% | 2.50% | 2.40% |

Pension fund assets are valued at market values. The actual return on plan assets was 8.9 percent in 2013 (2012 – 1.5 percent).

The following are the estimates at March 31, 2013:

| | Gross pension Obligation | Pension Assets | Unamortized Actuarial Adjustments | Net Pension Obligation | Net Pension Obligation |
|---|---|---|---|---|---|
| | 31-Mar-13 | 31-Mar-13 | 31-Mar-13 | 31-Mar-13 | 31-Mar-12 |
| | **($000)** | **($000)** | **($000)** | **($000)** | **($000)** |
| Civil Service Pension Fund | 1,364,097 | 1,227,571 | (278,528) | (142,002) | (7,102) [1] |
| Teachers' Pension Fund | 712,643 | 631,085 | (147,314) | (65,756) | 1,646 |
| MLA Pension Fund | 17,026 | 19,418 | (1,688) | (4,080) | (5,593) |
| MLA Plan (Supplementary) | 11,322 | - | 156 | 11,478 | 9,100 |
| Senior Comp. Pension Plan | 18,314 | - | (3,577) | 14,737 | 12,750 |
| Judges Pension Plan (Old) | 6,999 | - | (2,585) | 4,414 | 4,087 |
| Judges Pension Plan (New) | 1,579 | - | (282) | 1,297 | 1,003 |
| **Totals** | **2,131,980** | **1,878,074** | **(433,818)** | **(179,912)** | **15,891** |

[1] An error was detected in the amount charged for the current service cost for the Civil Service Pension Fund for the year ended March 31, 2012. The annual current service cost expense is calculated based on a percentage of active (i.e. currently contributing) members' pensionable earnings for the year. In the 2011-12 calculation an incorrect payroll figure was used, which resulted in an understated net pension obligation for the year ended March 31, 2012. The impact of the adjustment has been reflected in the net pension obligation reported in the above schedule. The adjustment made to the obligation is as follows:

| | **($000)** |
|---|---|
| Net Pension Obligation at March 31, 2012 | (12,212) |
| Adjustment re: revised current service cost | 5,110 |
| Net Pension Obligation at March 31, 2012 restated | (7,102) |

## (c) Retirement and Other Benefits

### Retirement Pay

Employees of the Civil Service, Health and Education sectors are entitled to retirement allowances, based on the number of years of service and the pay rate in effect at the retirement date, as provided for under collective agreements and terms of employment. These benefits are unfunded.

### Death Benefits

A post-retirement death benefit in the form of life insurance coverage of $5,000 is provided to regular, health and senior compensation members of the CSSF. MLAs also receive coverage in the amount of $50,000 until age 65, reducing to $25,000 at age 65 and then remaining at that level for life. MLAs who served as a Minister, Premier, or Leader of the Opposition are entitled to $75,000 coverage until they are 65 instead of $50,000. These benefits are funded by a $50,000 contribution made annually by the Province and the assets are held in a separate reserve account of the Public Sector Group Insurance Plan.

### Workers' Compensation

Workers' compensation benefits include medical services, wage loss replacement and rehabilitation costs paid in the event that a volunteer firefighter or emergency measures organization volunteer is injured while performing their duties.

Effective January 1, 2011 the Province became an assessed employer for the purpose of providing workers compensation benefits to Civil Service, Instruction Education and former Health Sector employees. Thus, the liability associated with these benefits is held by the Workers Compensation Board of PEI. However, on the advice of its actuary, the Province continues to hold a $1.6 million contingent liability pending a revaluation of the change to assessed employer status. This revaluation is to be performed as of December 31, 2013 and any resulting payables or receivables shall be settled by June 20, 2014.

### Sick Leave

Collective agreements provide for the accumulation of sick leave benefits by employees. There is no obligation for the Province to settle these amounts with cash payments upon termination or retirement of the employee. The Province recognizes that the entitlement of employees to use accumulated sick leave benefits constitutes a liability as future resources will be used when employees use accumulated sick leave.

### Summary of Payments

| | 2013 | 2012 |
|---|---|---|
| Retirement Pay | $7.6 million | $6.4 million |
| Death Benefits | $0.2 million | $0.2 million |
| Workers' Compensation [1] | $0.1 million | $0.1 million |
| Sick Leave – Civil [2] | $1.5 million | $1.7 million |
| Sick Leave – Education [2] | $1.1 million | $1.9 million |
| Sick Leave – Health [2] | $2.6 million | $2.4 million |

[1] Workers compensation benefit payments include only those in respect of volunteer firefighters and emergency measures organization volunteers.

[2] Sick leave payments represent the cost of utilization in excess of benefits earned for the respective year.

**Actuarial Valuations / Estimates**

The Province obtains actuarial calculations of its liability for future employee benefits. An estimated update, which is a calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses for future employee benefits other than workers compensation are amortized on a straight-line basis over the expected average remaining service life of the related employee group as follows:

| | 2013 | 2012 |
|---|---|---|
| Retirement Pay (Civil Service & Education Sector) | 11 years | 11 years |
| Retirement Pay (Health Sector) | 15 years | 15 years |
| Death Benefits (MLA) | 2 years | 2 years |
| Death Benefits (Civil Service) | 13 years | 13 years |
| Death Benefits (Health Sector) | 15 years | 15 years |
| Sick Leave (Civil Sector) | 13 years | 13 years |
| Sick Leave (Education Sector) | 15 years | 15 years |
| Sick Leave (Health) | 14.6 years | 14.6 years |

Actuarial gains and losses for workers' compensation benefits are amortized on a straight-line basis over the average expected period during which benefits will be paid which is 19 years.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the most recent valuations are as follows:

| | Retirement Pay | Death Benefits (MLA) | Death Benefits (Civil & Health) | Workers' Compensation | Sick Benefits (Civil & Education) | Sick Benefits (Health) |
|---|---|---|---|---|---|---|
| Date of Valuation | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 | 01-Apr-11 | 01-Apr-12 | 01-Apr-12 |
| Discount Rate Used to Determine Obligation | 4.47% | 4.70% | 4.69% | 4.68% | 3.46% | 3.21% |
| Expected Salary Increase | 2.50% | N/A | N/A | N/A | 3.00% | 2.50% |
| Expected Inflation Rates | | | | | | |
| Temporary Wage Loss | N/A | N/A | N/A | 2.50% | N/A | N/A |
| Medical Aid & Hospital | N/A | N/A | N/A | 4.50% | N/A | N/A |
| Pension & Extended Wage Loss | N/A | N/A | N/A | 1.88% | N/A | N/A |

Assumptions used for April 1, 2012 to March 31, 2013 period were the same as the above chart.

The market value of death benefit assets at the beginning of the year was $1.2 million. The expected rate of return on death benefit assets is 4.69 percent. The actual return on assets was 2.6 percent in 2013 (2012- 1.0 percent).

The following are the estimates of future commitments to employees at March 31, 2013:

| | Gross Benefit Obligation | Benefit Asset | Unamortized Actuarial Adjustments | Net Benefit Obligation | Net Benefit Obligation |
|---|---|---|---|---|---|
| | 31-Mar-13 | 31-Mar-13 | 31-Mar-13 | 31-Mar-13 | 31-Mar-12 |
| | **($000)** | **($000)** | **($000)** | **($000)** | **($000)** |
| Retirement Pay | 112,542 | - | (26,985) | 85,557 | 78,932 |
| Death Benefits | 10,712 | 1,095 | (2,301) | 7,316 | 6,438 |
| Workers' Compensation | 2,503 | - | (97) | 2,406 | 2,390 |
| Sick Leave | 53,223 | - | (2,849) | 50,374 | 47,166 |
| **Totals** | **178,980** | **1,095** | **(32,232)** | **145,653** | **134,926** |

**(d) Cost of Pension, Retirement and Other Obligations**

The following schedule presents the costs of future employee benefits for the year ended March 31, 2013:

| | Current Service Cost | Net Interest Cost | Employee and Other Contributions | Amortization of Actuarial Adjustments | Net Cost |
|---|---|---|---|---|---|
| | **($000)** | **($000)** | **($000)** | **($000)** | **($000)** |
| Civil Service Pension Fund | 44,171 | 4,237 | (42,962) | 21,255 | 26,701 |
| Teachers Pension Fund | 14,853 | 3,144 | (9,414) | 13,749 | 22,332 |
| MLA Pension Fund | 407 | (211) | (196) | 1,512 | 1,512 |
| MLA Plan (Supplementary) | 736 | 497 | - [1] | 1,466 | 2,699 |
| Senior Comp. Pension Plan | 939 | 820 | - [1] | 772 | 2,531 |
| Judges Pension Plan (Old) | 87 | 319 | - [1] | 289 | 695 |
| Judges Pension Plan (New) | 128 | 69 | - [1] | 97 | 294 |
| Total Pension | 61,321 | 8,875 | (52,572) | 39,140 | 56,764 |
| Retirement Pay | 6,086 | 4,848 | - | 3,329 | 14,263 |
| Death Benefits | 343 | 422 | - | 214 | 979 |
| Workers' Compensation[2] | 73 | 41 | - | (6) | 108 |
| Sick Leave[3] | 6,394 | 1,739 | - | 261 | 8,394 |
| Total Other | 12,896 | 7,050 | - | 3,798 | 23,744 |
| **Totals** | **74,217** | **15,925** | **(52,572)** | **42,938** | **80,508** |

[1] Employee contributions are not required on these pension plans.

[2] Workers' compensation costs include only those in respect of volunteer firefighters and emergency measure organization volunteers.

[3] Amount represents payments in excess of entitlement earned during the reporting year.

**(e) Other Pension Plans**

**Health PEI**

Salaried physicians maintain their own personal Registered Retirement savings Plan (RRSP) accounts to which Health PEI makes contributions in accordance with the Master Agreement between the Medical Society of Prince Edward Island and the Province of Prince Edward Island. Before 2012, Health PEI's contributions were equivalent to the pension contributions the employer would have otherwise made had the physician been eligible to participate in the pension plan as defined by the *Civil Service Superannuation Act*. Beginning in 2012, Health PEI's contributions are equivalent to 9 percent of the physician's base salary, and shall not exceed 50 percent of the maximum permissible contribution provided for in the *Income Tax Act*. Health PEI's liability is limited to its required contributions in accordance with the agreement.

**School Boards**

Support employees of the two school boards are part of the P.E.I. Education Sector Pension Plan (ESPP). The pension is a defined benefit plan. According to the most recent accounting actuarial report, dated January 1, 2013, the plan had a surplus in the amount of $3.8 million. For the ESPP, the Province records expenses equal to the employer contributions. It is the obligation of the Province to contribute the employer's portion as per the provisions of the plan text. It is the responsibility of the Pension Committee to ensure that the contributions are sufficient to fund the benefits provided. If the Plan's financial position is insufficient to fully fund future and accrued benefits then the Pension Committee is responsible for amending the Plan to decrease the benefits proportionately to such amounts as are required to ensure that the members' and employer's contributions are sufficient to fully fund the benefits.

**P.E.I. Human Rights Commission**

The employees of the Commission participate in a defined contribution pension plan. The Commission makes contributions amounting to 7.09 percent on that part of the salary on which Canada Pension Plan contributions are made and 9.75 percent on salary when Canada Pension Plan contributions are not required. Employees are not required to match or contribute to the plan. These contributions are paid to a Registered Retirement Savings Plan (RRSP) or Registered Disability Savings Plan (RDSP) as selected by the employee.

**P.E.I. Grain Elevators Corporation**

Three employees of the Corporation participate in a defined contribution plan. The Corporation matches the employee contributions to a maximum of 5 percent of the employees' salary. The Corporation's liability is limited to its required contributions in accordance with the employment contract.

## 13 Supplementary Funding Provided by the Government of Canada

The Province has been receiving supplementary funding, from the Government of Canada, for a number of programs. The Government of Canada has set up trust funds to administer some of these special transfers. The Province is recording the supplementary funding as follows:

**New Deal for Cities and Communities**

| | |
|---|---|
| 2005-2006 | $2.1 million |
| 2006-2007 | $4.4 million |
| 2007-2008 | $6.5 million |
| 2008-2009 | $9.1 million |
| 2009-2010 | $12.7 million |
| 2010-2011 | $16.1 million |
| 2011-2012 | $15.2 million |
| 2012-2013 | $13.9 million |
| Accounts Payable March 31, 2013 | $2.5 million |
| Total | $82.5 million |

**Affordable Housing Trust**

| | |
|---|---|
| 2006-2007 | $0.02 million |
| 2007-2008 | $0.58 million |
| 2008-2009 | $0.71 million |
| 2009-2010 | - |
| 2010-2011 | - |
| 2011-2012 | $2.08 million |
| Total | $3.39 million |

**Police Officers Recruitment Fund**

| | |
|---|---|
| 2008-2009 | $0.32 million |
| 2009-2010 | $0.32 million |
| 2010-2011 | $0.32 million |
| 2011-2012 | $0.32 million |
| 2012-2013 | $0.32 million |
| Total | $1.60 million |

## 14 Government Restructuring

### (a) Departments

Effective November 15, 2011 Executive Council announced a major government restructuring which impacted the operations of a number of departments. These changes did not take effect until April 1, 2012 for financial reporting purposes. Financial results presented in the Statement of Operations and Accumulated Deficit for the year ended March 31, 2012 have been restated for comparative purposes based on the restructured departments.

### (b) Finance PEI

Finance PEI is a Crown corporation established by proclamation of the Finance PEI Act effective April 1, 2012. Effective that date P.E.I. Lending Agency, Innovation PEI Lending Services and Innovation PEI Strategic Initiatives and Properties division transferred their assets, liabilities and surpluses to Finance PEI. In these consolidated financial statements P.E.I. Lending Agency has been replaced by

Finance PEI and assets and liabilities transferred from Innovation PEI are included in Finance PEI balances on the comparative Consolidated Statement of Financial Position for 2012.

**15 Future Accounting Pronouncements**

There are amendments to PS Standard 3450, *Financial Instruments* from the Public Sector Accounting Board (PSAB), which take effect on fiscal years beginning on or after April 1, 2013. The Province is currently reviewing the impact of these standards on next year's financial statements.

**16 Use of Estimates and Measurement Uncertainty**

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements in the accruals for such items as future pension, retirement and other obligations, environmental remediation obligations, various federal and provincial revenues and provisions for losses on loans, loan guarantees and accounts receivable. The nature of uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the market place. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to federal and provincial revenues arises because of the possible differences between the estimated and actual economic growth and other assumptions used to accrue these revenues. Uncertainty related to loan provisions arises due to assumptions on economic conditions in the market place and the financial health of loan recipients. Measurement uncertainty also exists in the estimate of useful life of tangible capital assets.

**17 Prior Period Comparative Figures**

Certain prior period comparatives have been restated to conform to the presentation format adopted in the current period.

**18 Subsequent Events**

**(a) Government Pension Plans**

Subsequent to March 31, 2013, legislation was passed to amend the Civil Service Superannuation Act and Teachers' Superannuation Act. These amendments came into force on January 1, 2014 and are summarized as follows:

- The benefits guaranteed by the Province no longer include indexation after 2016 as it has been made contingent on each plan's ability to pay for those benefits. The funding of deficits under this new guarantee is the Province's responsibility with special payments being required whenever one of the plans has a funded status below 100% and the funded status is not expected to recover to at least 100% within 5 years. In addition, as part of the transition to this new plan design, the Province will provide a one-time funding injection that will bring the funded status of each plan to 122% as at January 1, 2014.

- The salary component of the benefit formula will be calculated based on average indexed earnings. The earnings attributed to each year of pre-2014 pensionable service, and indexed thereafter, will be the December 31, 2013, 3-year and 5-year highest average salaries calculated under the Civil Service Superannuation Act and Teachers' Superannuation Act, respectively, prior to the plan amendment. Annual indexation of salaries is guaranteed for 2014, 2015 and 2016 at a rate of 1.5% per annum for both plans. After 2016, salary indexing will be contingent on each plan having a funded status greater than 100% and limited to the assets determined to be available for that purpose.

- Annual indexation of deferred and retiree pensions is guaranteed for 2014, 2015 and 2016 at a rate of 1.5% per annum for the Civil Service Superannuation Fund and 0.9% per annum for the Teachers' Superannuation Fund. After 2016, indexation of deferred and retiree pensions will be contingent on each plan having a funded status greater than 110% and limited to the assets determined to be available for that purpose.

- Commencing January 1, 2019, the unreduced retirement rules will change such that pension earned on pensionable service credited after 2018 will be payable on an unreduced basis when a member, at his or her date of retirement, is at least 62 years of age or at least 55 years of age with 32 or more years of pensionable service. The pre-amendment unreduced retirement rules will continue to apply to pensionable service credited prior to 2019.

- After 2016, contribution rates will vary as follows depending on the funded status of each plan as measured at each valuation date:
    - If the funded status falls below 110%, employee and employer contribution rates will increase by 1% and 2%, respectively, and these rates will remain in force until the funded status improves to at least 115%.
    - If the funded status falls below 100%, the employer contribution rate will increase by a further 2% in addition to the rate increases for a funded status below 110%. This additional employer contribution rate increase will remain in effect until the funded status improves to at least 105%.
    - If the funded status improves to 135% or higher, employee and employer contribution rates will decrease by 1% and 2%, respectively, until the funded status falls to or below 130%.
    - If the funded status improves to 145% or higher, the employer contribution rate will decrease by a further 2% in addition to the rate decreases for a funded status at or above 135%. This additional decrease will remain in effect until the funded status falls to or below 140%.

Estimates of the potential impact that the above plan design and actuarial assumption changes may have on the January 1, 2014 Civil Service Superannuation Fund and Teachers' Superannuation Fund gross pension obligations are as follows:

| | Plan Design Changes | Actuarial Assumption Changes[1] |
|---|---|---|
| Civil Service Superannuation Fund | Decrease of 23% - 29% | Increase of 15% - 23% |
| Teachers' Superannuation Fund | Decrease of 15% - 19% | Increase of 14% - 22% |

[1]The percentages provided for actuarial assumption changes reflect the estimated percentage increases in the gross pension obligations which exist after the plan design changes have already been applied.

**(b) Installation of Fibre Network to Schools**

In May 2013, the Province entered into a contract with Bragg Communication Inc. for the provision of wide area network service, with related monitoring services and internet access for sixty-six provincial educational sites. The term of this agreement is ten years, commencing May 1, 2013 and ending April 20, 2023.The commitment pursuant to this agreement for the next five years and beyond is:

| | ($000) |
|---|---|
| 2013-2014 | 1,980 |
| 2014-2015 | 675 |
| 2015-2016 | 675 |
| 2016-2017 | 675 |
| 2017-2018 | 482 |
| Thereafter | 1,650 |
| | 6,137 |

**(c) *School Act* Changes**

As a result of changes in the *School Act*, effective April 1, 2013 the tangible capital assets of the English Language School Board and the French Language School Board are to be transferred to the Government of P.E.I. Operating Fund.

**(d) P.E.I. Energy Corporation**

Subsequent to March 31, 2013, the Province, through the P.E.I. Energy Corporation, committed to contracts totalling approximately $5.2 million for the construction of a new wind farm development.

On April 30, 2013, the P.E.I. Energy Corporation purchased a wind power facility for $2.8 million.

On July 31, 2013, the P.E.I. Energy Corporation borrowed $60 million from the Toronto Dominion Bank at 2.99%, due July 29, 2033, repayable in equal monthly instalments of $332,458.

On December 1, 2013, the P.E.I. Energy Corporation entered into a 20 year Power Purchase Agreement totalling 30 megawatts, to sell all wind power produced at its Hermanville wind farm facility to Maritime Electric Company Ltd.

**(e) Harmonized Sales Tax (HST)**

The governments of Prince Edward Island and Canada have entered into a Comprehensive Integrated Tax Coordination Agreement (CITCA) to harmonize the provincial sales tax with the federal goods and service tax effective April 1, 2013. The provincial legislation ratifying the agreement to bring in HST and to wind-down the provincial sales tax received Royal Assent on December 7, 2012. Under a harmonized sales tax, the provincial rate will be reduced from 10 percent to 9 percent, combined with the Federal rate, the harmonized rate will be 14 percent. Due to the nature of tax collection it is not possible to determine the financial impact on provincial tax revenues of the tax change at this time. Terms of CITCA entitle P.E.I. to receive Transitional Assistance totaling $39 million from Canada. HST was implemented on April 1, 2013.

# PROVINCE OF PRINCE EDWARD ISLAND

**Schedules to the Consolidated Financial Statements**
**for the year ended March 31, 2013**

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **1 Cash and Short-Term Investments** | | |
| Cash (Bank Advances) | | |
| Operating Fund | (3,725) | 21,416 |
| English Language School Board | 4,331 | 4,007 |
| Finance PEI | 4,124 | - |
| Health PEI | 6,313 | 1,380 |
| Innovation PEI | 4,027 | 5,971 |
| Other Consolidated Agencies, Boards and Crown Corporations | 5,247 | 4,885 |
| Short Term Investments | | |
| P.E.I. Agricultural Insurance Corporation | 17,215 | 10,004 |
| P.E.I. Regulatory and Appeals Commission | 1,642 | 1,377 |
| Other Consolidated Agencies, Boards and Crown Corporations | 473 | 404 |
| | **39,647** | **49,444** |
| **2 Accounts and Taxes Receivable** | | |
| Taxes | 82,973 | 84,485 |
| Government of Canada | 76,929 | 79,812 |
| Due from P.E.I. Liquor Control Commission | 12,831 | 10,515 |
| Health PEI Fees and Revenues | 3,286 | 3,146 |
| Other | 26,087 | 19,958 |
| | **202,106** | **197,916** |
| Provision for Doubtful Accounts (Schedule 19) | (4,691) | (4,348) |
| | **197,415** | **193,568** |
| **3 Investments** | | |
| Finance PEI | 2,503 | - |
| Innovation PEI | - | 2,666 |
| Other Consolidated Agencies, Boards and Crown Corporations | - | 271 |
| | 2,503 | 2,937 |
| Provision for Losses (Schedule 19) | (1,272) | (1,478) |
| | **1,231** | **1,459** |

## 4 Investment in Government Business Enterprises

### a) Description of the Province's Crown Corporations classified as Government Business Enterprises

**Charlottetown Area Development Corporation**
The Corporation was established to provide innovation, investment and expertise for individual projects of economic and social benefit that government, or the private sector, are not prepared to execute alone. The Corporation is owned by the Province of Prince Edward Island, the City of Charlottetown and the Town of Stratford.

**Island Investment Development Inc.**
Island Investment Development Inc. is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island, with its purpose to invest in active business operations. The investments are typically made in new or expanding companies. The Corporation also administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process applications received.

**Island Waste Management Corporation**
The Corporation is responsible for the implementation and management of a province-wide waste management system. This includes the collection and disposal of solid waste generated in Prince Edward Island.

**Prince Edward Island Energy Corporation**
The Corporation is responsible for pursuing and promoting the development of energy systems and the generation, production, transmission and distribution of energy, in all its forms, on an economic and efficient basis.

**Prince Edward Island Liquor Control Commission**
The Commission is responsible for the administration of the *P.E.I. Liquor Control Act and Regulations*, along with the management of the importation, sale, and distribution of beverage alcohol in the province.

**Prince Edward Island Lotteries Commission**
The Province, through its ownership of the Prince Edward Island Lotteries Commission, is a shareholder in the Atlantic Lottery Corporation Inc. (ALC) and Interprovincial Lottery Corporation (ILC). ALC is jointly owned by the four Atlantic Provinces, or their lottery agency, and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. ALC also markets and handles regionally the products of the ILC, which is jointly owned by the ten Canadian provinces. Net profits of ALC and ILC are distributed to the shareholders. An agreement between the Commission and the ALC provides for ALC to develop, organize, conduct, manage and operate gaming entertainment centres as agent for and on behalf of the Commission.

## 4 Investment in Government Business Enterprises continued

### b) Supplementary Financial Information

| | Charlottetown Area Development Corporation ($000) | Island Investment Development Inc. ($000) | Island Waste Management Corporation ($000) | P.E.I. Energy Corporation ($000) | P.E.I. Liquor Control Commission ($000) | P.E.I. Lotteries Commission ($000) | Total 2013 ($000) | Total 2012 Restated ($000) |
|---|---|---|---|---|---|---|---|---|
| Cash and Marketable Securities | 6,896 | 186,205 | 5,362 | 3,571 | 2,707 | - | 204,741 | 178,416 |
| Accounts Receivable | 3,763 | 4,190 | 875 | 1,907 | 784 | 202 | 11,721 | 11,990 |
| Inventory | - | - | - | - | 7,049 | - | 7,049 | 5,999 |
| Loans Receivable | 4,860 | 131,635 | - | 12,086 | - | - | 148,581 | 154,532 |
| Tangible Capital Assets | 50,629 | - | 21,002 | 47,217 | 5,974 | - | 124,822 | 108,309 |
| Other Assets | 6,314 | 6,229 | 303 | 105,943 | 143 | - | 118,932 | 60,788 |
| **Total Assets** | 72,462 | 328,259 | 27,542 | 170,724 | 16,657 | 202 | 615,846 | 520,034 |
| Accounts Payable | 4,666 | 958 | 1,411 | 759 | 1,977 | 202 | 9,973 | 10,255 |
| Long-Term Debt | 20,080 | 211,986 | 22,783 | 148,258 | 1,754 | - | 404,861 | 356,959 |
| Other Liabilities | 42,316 | 45,544 | 2,309 | 1,840 | 12,926 | 12,283 | 117,218 | 87,767 |
| **Total Liabilities** | 67,062 | 258,488 | 26,503 | 150,857 | 16,657 | 12,485 | 532,052 | 454,981 |
| **Equity** | 5,400 | 69,771 | 1,039 | 19,867 | - | (12,283) | 83,794 | 65,053 |
| **Total Liabilities and Equity** | 72,462 | 328,259 | 27,542 | 170,724 | 16,657 | 202 | 615,846 | 520,034 |
| Percentage of Ownership | 85% | 100% | 100% | 100% | 100% | 100% | | |
| **Province of P.E.I.'s Equity** | **4,591** | **69,771** | **1,039** | **19,867** | - | **(12,283)** | **82,985** | **64,261** |
| Revenues | 5,121 | 23,074 | 19,298 | 11,687 | 70,646 | 15,645 | 145,471 | 147,648 |
| Expenses | 4,999 | 6,443 | 19,211 | 8,220 | 52,591 | 5,458 | 96,922 | 101,448 |
| Net Income | 122 | 16,631 | 87 | 3,467 | 18,055 | 10,187 | 48,549 | 46,200 |
| Minority Interest in Net Income | (18) | - | - | - | - | - | (18) | (29) |
| **Revenues From GBEs** | **104** | **16,631** | **87** | **3,467** | **18,055** | **10,187** | **48,531** | **46,171** |
| Revenue Transfers to Province | - | - | - | - | (18,055) | (11,752) | (29,807) | (28,060) |
| Province's Increase in Equity | 104 | 16,631 | 87 | 3,467 | - | (1,565) | 18,724 | 18,111 |

**Audited financial statements of government business enterprises are provided in Volume III of the Public Accounts of the Province**

**c) Balances and Transactions with the Operating Fund**

| | Charlottetown Area Development Corporation ($000) | Island Investment Development Inc. ($000) | Island Waste Management Corporation ($000) | P.E.I. Energy Corporation ($000) | P.E.I. Liquor Control Commission ($000) | P.E.I. Lotteries Commission ($000) | Total 2013 ($000) | Total 2012 Restated ($000) |
|---|---|---|---|---|---|---|---|---|
| Government of P.E.I.: | | | | | | | | |
| Accounts Receivable from | 187 | - | - | - | 13,020 | 102 | 13,309 | 10,804 |
| Loans receivable from | 2,148 | 7,082 | - | 74,763 | 1,754 | - | 85,747 | 76,670 |
| Accounts Payable to | 262 | 55 | 1,205 | - | 85 | - | 1,607 | 454 |
| Transfer from: | | | | | | | | |
| Revenues | - | - | - | - | 18,055 | 11,752 | 29,807 | 28,061 |
| Interest | 272 | 167 | - | 1,735 | 104 | - | 2,278 | 1,870 |
| Transfer to: | | | | | | | | |
| Operating Grant | - | - | - | 659 | - | - | 659 | 683 |

**d) Long-Term Debt of Government Business Enterprises to be Repaid in Each of the Next Five Years[1]**

| | ($000) |
|---|---|
| 2013-2014 | 58,471 |
| 2014-2015 | 54,436 |
| 2015-2016 | 59,007 |
| 2016-2017 | 52,789 |
| 2017-2018 | 36,143 |

[1] Included in P.E.I. Energy Corporation's long-term debt is $46.6 million that has been excluded from the aggregate as the repayment terms are not yet known.

## 5 Sinking Fund

| | 2013 ($000) | 2012 ($000) |
|---|---|---|
| **FINANCIAL ACTIVITIES** | | |
| Sinking Fund Earnings: | | |
| Investment Earnings | 11,246 | 12,244 |
| Bank Charges | (11) | (11) |
| **Net Sinking Fund Earnings** | **11,235** | **12,233** |
| Instalments from the Operating Fund | 12,224 | 13,750 |
| Other payments from (to) the Operating Fund | (5,730) | (778) |
| Debentures Redeemed | (61,426) | (27,012) |
| Change in Sinking Fund | (43,697) | (1,807) |
| Sinking Fund, beginning of year | 226,398 | 228,205 |
| **Sinking Fund, end of year** | **182,701** | **226,398** |
| **FINANCIAL POSITION** | | |
| **Assets** | | |
| Cash | 10 | 372 |
| Accrued Interest | 1,751 | 1,959 |
| | 1,761 | 2,331 |
| Investments, at cost [1] | 180,943 | 224,070 |
| **Total Assets** | **182,704** | **226,401** |
| **Liabilities** | | |
| Accounts Payable | 3 | 3 |
| **Sinking Fund Reserve** | 182,701 | 226,398 |
| **Total Liabilities and Fund Reserve** | **182,704** | **226,401** |

[1] Market value of investments $209.4 million (2012 - $254.3 million)

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **6 Loans Receivable** | | |
| **Operating Fund** | | |
| Charlottetown Area Development Corporation loans due in varying annual amounts to the year 2019, bearing interest rates ranging from 6.13% - 6.64%. | 2,148 | 2,456 |
| Communities 13 Inc. loan due in 2021, bearing an interest rate of 7.25%. | 90 | 146 |
| Community Development loans due in varying annual amounts to the year 2033, bearing interest rates ranging from 4.74% - 6.00%. | 920 | 1,364 |
| P.E.I. Energy Corporation loans due in varying annual amounts to the year 2022, bearing interest rates ranging up to 4.87%. | 74,763 | 71,782 |
| Island Investment Development Inc. loan due in 2022, bearing interest rates of 3.11%. | 7,082 | - |
| P.E.I. Liquor Control Commission loans due in varying annual amounts to the year 2020, bearing interest rates ranging from 4.20% to 5.85%. | 1,754 | 2,432 |
| | 86,757 | 78,180 |
| **Mortgages and Loans Issued by Agencies and Crown Corporations** | | |
| Innovation PEI loans due in varying annual amounts to the year 2032, bearing interest rates ranging from 3.00% to 9.25%. | - | 25,179 |
| P.E.I. Housing Corporation loans due 2013, interest rates of 6.25%. | 4 | 3 |
| Finance PEI loans due in varying annual amounts to the year 2032, bearing interest rates ranging from 3.0% to 12.62%. | 210,268 | - |
| P.E.I. Lending Agency loans due in varying annual amounts to the year 2031, bearing interest rates ranging from prime plus 1.0% to 12.62%. | - | 209,591 |
| P.E.I. Student Financial Assistance Corporation loans due with various terms of repayment extending up to 12.5 years; Non-interest bearing. Loans issued prior to Jan 1, 2001 had variable interest rates of prime plus 2.0% or fixed interest rates of prime plus 4.0%. | 26,245 | 25,792 |
| | 236,517 | 260,565 |
| **Other** | | |
| Employee Transition Advances - Non-interest bearing. | 4,262 | 4,682 |
| Employee Computer Purchase Loans - 3 year term, interest 2.8%. | 1 | 1 |
| Employee Health Club Loans - 1 year term, interest 1.35%. | 30 | 31 |
| Ocean Choice Inc. Promissory Note due in annual payments of $750 thousand and a final lump sum payment of $6.0 million in 2014, non-interest bearing. | 9,750 | 9,750 |
| | 14,043 | 14,464 |
| **Total Loans Receivable before Provisions and Concessions** | 337,317 | 353,209 |
| Provision for Doubtful Accounts (Schedule 19) | (43,853) | (54,919) |
| Adjustment for Interest Concession - Ocean Choice Inc. | (1,995) | (1,995) |
| | **291,469** | **296,295** |

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **7 Deferred Revenue and Credits** | | |
| Motor Vehicle Registry | 7,588 | 6,660 |
| Consolidated Agencies, Boards and Crown Corporations | 2,619 | 4,908 |
| Other | 1,283 | 1,354 |
| | **11,490** | **12,922** |
| **8 Accounts Payable and Accrued Liabilities** | | |
| Goods and Services | 142,975 | 142,436 |
| Government of Canada | 48,901 | 21,157 |
| Interest | 28,609 | 24,971 |
| Wages and Benefits | 59,775 | 56,774 |
| Provision for Losses on Guarantees (Schedule 19) | - | 332 |
| Payments Due - LMDA Program and Social Services | 2,350 | 2,061 |
| Other | 20,109 | 15,012 |
| | **302,719** | **262,743** |
| **9 Short-Term Loans Payable** | | |
| Operating Fund | | |
| Treasury Notes, 0.99% to 1.02%, maturing April 3, 2013 to June 25, 2013 | 340,000 | 515,000 |
| Discount on Treasury Notes | (463) | (748) |
| | 339,537 | 514,252 |
| Finance PEI (Note 14) | | |
| Demand Note Payable to Island Investment Development Inc. Interest is charged monthly at a rate equal to the Department of Finance, Energy and Municipal Affairs' short-term lending rate. | 6,999 | 6,999 |
| | **346,536** | **521,251** |

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **10 Obligation Under Capital Leases** | | |
| Leasehold Improvement obligations payable monthly until the year 2019, interest rates ranging from 6.64% - 8.50%. | 2,292 | 2,677 |
| | **2,292** | **2,677** |

Interest expense related to capital lease obligations for the year was $169 thousand (2012 - 195 thousand).

Future minimum lease payments under the capital lease obligations are:

| | ($000) |
|---|---|
| 2013-2014 | 554 |
| 2014-2015 | 496 |
| 2015-2016 | 380 |
| 2016-2017 | 379 |
| 2017-2018 | 379 |
| Thereafter | 601 |
| Total minimum lease payments | 2,789 |
| Imputed interest | (497) |
| Net Obligation | 2,292 |

| | | |
|---|---|---|
| **11 Pension, Retirement and Other Obligations** | | |
| Civil Service Superannuation Fund | (142,002) | (7,102) |
| Teachers' Superannuation Fund | (65,756) | 1,646 |
| Pension Plan for Members of the Legislative Assembly | (4,080) | (5,593) |
| Other Pension Plans | 31,926 | 26,940 |
| Retirement and Death Benefits | 92,873 | 85,370 |
| Sick Leave | 50,374 | 47,166 |
| Workers' Compensation | 2,406 | 2,390 |
| | **(34,259)** | **150,817** |

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **12 Loans Payable** | | |
| **Operating Fund** | | |
| Government of Canada, non-interest bearing, maturing March 31, 2022, payable in monthly instalments of $325,642. | 12,376 | 16,284 |
| Adjustment for interest concession | (963) | (1,581) |
| | 11,413 | 14,703 |
| Teachers' Superannuation Fund, 4.35%, maturing April 15, 2014, with interest payable semi-annually and principal payments of $16.0 million payable annually. | 32,000 | 48,000 |
| Teachers' Superannuation Fund, 2.90%, maturing April 1, 2022 with interest payable semi-annually and principal payments of $8.0 million payable annually. | 80,369 | - |
| Civil Service Superannuation Fund, 4.41%, maturing October 15, 2015, with interest payable semi-annually and principal payments of $5.2 million payable annually. | 15,600 | 20,800 |
| Civil Service Superannuation Fund, 2.90%, maturing April 1, 2022 with interest payable semi-annually and principal payments of $15.0 million payable annually. | 150,761 | - |
| **Consolidated Agencies, Boards and Crown Corporations** | | |
| Finance PEI / Innovation PEI - See Note 14 | | |
| Bank of Nova Scotia, 6.62%, maturing in August 2017, payable in monthly instalments of $40,333 plus interest. | 6,978 | 7,462 |
| Island Investment Development Inc., 4.00% note payable. Repayment terms are to be determined. | 1,430 | 1,430 |
| Island Investment Development Inc., 4.00% note payable. Repayment terms are to be determined. | 557 | 557 |
| Island Investment Development Inc., 4.00% note payable, due April 2018, repayable at $8,165 monthly including principal and interest. | 1,323 | - |
| Manulife Financial, 6.01% note payable, due December 2024, repayable at $88,025 monthly including principal and interest. | 8,920 | 9,431 |
| Manulife Financial, 5.54% note payable, due December 2024, repayable at $7,969 monthly including principal and interest. | 827 | 876 |
| The Manulife Financial notes payable are secured by a general security agreement covering certain property holdings. | | |
| P.E.I. Grain Elevators Corporation | | |
| Demand loan payable to Scotiabank, bearing interest at prime less 0.25%, repayable in monthly principal amounts of $12,500 plus interest, due August 30, 2013. | 901 | 1,063 |

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **12 Loans Payable continued** | | |
| Demand loan payable to Scotiabank, bearing interest at prime, repayable in monthly principal amounts of $6,000 plus interest due July 30, 2014. | 505 | 583 |
| P.E.I. Housing Corporation | | |
| Canada Mortgage and Housing Corp. - Mortgages Payable | 15,690 | 17,360 |
| - Debentures Payable | 2,793 | 2,945 |
| Interest rates range - 1.64% to 11.00% | | |
| Maturity dates range - 2014 to 2029 | | |
| Loans and debentures are secured by properties. | | |
| Summerside Regional Development Corporation | | |
| P.E.I. Century 2000 Fund Inc., 4.00% note payable, due February 2013, repayment terms are to be determined. | 2,292 | 2,292 |
| P.E.I. Century 2000 Fund Inc., 4.00% note payable, due October 2014, repayment terms are to be determined. | 1,701 | 1,643 |
| P.E.I. Century 2000 Fund Inc., 4.00% note payable, due February 2016, repayment terms are to be determined. | 484 | 449 |
| P.E.I. Century 2000 Fund Inc., 4.00% note payable, due October 2014, repayable in monthly payments of principal and interest of $3,937. | 323 | 345 |
| P.E.I. Century 2000 Fund Inc., 4.00% note payable, due December 2016, amortized until 2025, repayable in monthly payments of principal and interest of $11,489. | 939 | 1,004 |
| P.E.I. Century 2000 Fund Inc., 4.00% note payable, due May 2016, amortized until 2032, repayable in monthly payments of principal and interest of $8,542. As security the company has provided a promissory note and a first collateral mortgage on the TFL property. | 1,013 | 1,030 |
| | **336,819** | **131,973** |

Principal repayment requirements over the next five years on outstanding loans payable are as follows:

| | ($000) |
|---|---|
| 2013-2014 | 62,731 |
| 2014-2015 | 52,595 |
| 2015-2016 | 34,754 |
| 2016-2017 | 27,657 |
| 2017-2018 | 26,001 |
| | 203,738 |

## 13 Debentures and Sinking Fund

| Issue Date | Maturity Date | Interest Rate | Term of Years | Gross Debt ($000) | Sinking Fund ($000) | Net Debt 2013 ($000) | Net Debt 2012 ($000) |
|---|---|---|---|---|---|---|---|
| **Public Issues:** | | | | | | | |
| 17-Dec-92 | 17-Dec-12 | 9.750% | 20 | - | - | - | 25,311 |
| 18-Mar-93 | 18-Mar-13 | 9.250% | 20 | - | - | - | 25,818 |
| 12-Mar-09 | 02-Jun-14 | 3.200% | 5 | 100,000 | - | 100,000 | 100,000 |
| 27-Oct-95 | 27-Oct-15 | 8.500% | 20 | 75,000 | 35,412 | 39,588 | 42,384 |
| 15-Sep-09 | 24-Sep-19 | 4.250% | 10 | 100,000 | - | 100,000 | 100,000 |
| 25-Aug-10 | 02-Sep-20 | 3.700% | 10 | 100,000 | - | 100,000 | 100,000 |
| 15-Dec-93 | 15-Dec-23 | 8.500% | 30 | 60,000 | 34,469 | 25,531 | 28,057 |
| 20-Aug-02 | 29-Jul-27 | 6.100% | 25 | 100,000 | 17,148 | 82,852 | 84,906 |
| 21-Feb-00 | 21-Feb-30 | 6.800% | 30 | 80,000 | 23,079 | 56,921 | 59,178 |
| 29-Jan-02 | 29-Jan-32 | 6.250% | 30 | 100,000 | 22,732 | 77,268 | 79,800 |
| 12-Jun-03 | 21-Feb-34 | 5.600% | 30 | 100,000 | 16,545 | 83,455 | 85,446 |
| 16-Sep-04 | 15-Jun-35 | 5.700% | 30 | 100,000 | 12,852 | 87,148 | 89,004 |
| 28-Jan-05 | 19-May-36 | 5.300% | 31 | 100,000 | 10,906 | 89,094 | 90,860 |
| 12-Sep-05 | 19-Nov-37 | 4.650% | 32 | 100,000 | 10,588 | 89,412 | 91,133 |
| 17-Mar-10 | 19-Nov-37 | 4.650% | 27 | 100,000 | 4,031 | 95,969 | 97,375 |
| 16-Mar-11 | 19-May-41 | 4.600% | 30 | 100,000 | - | 100,000 | 100,000 |
| 26-Jul-11 | 19-May-41 | 4.600% | 30 | 100,000 | - | 100,000 | 100,000 |
| 19-Jun-12 | 27-Jun-42 | 3.650% | 30 | 200,000 | - | 200,000 | - |
| 10-Jan-13 | 17-Jan-53 | 3.600% | 40 | 125,000 | - | 125,000 | - |
| | | | | 1,740,000 | 187,762 | 1,552,238 | 1,299,272 |
| **Canada Pension Plan Issues:** | | | | | | | |
| 1992-93 | 2012-2013 | 9.368% | 20 | - | - | - | 6,971 |
| 1998-99 | 2018-2019 | 5.930% | 20 | 376 | - | 376 | 376 |
| 1999-00 | 2019-2020 | 6.347% | 20 | 7,332 | - | 7,332 | 7,332 |
| 2000-01 | 2020-2021 | 6.681% | 20 | 9,136 | - | 9,136 | 9,136 |
| 2001-02 | 2021-2022 | 6.593% | 20 | 11,374 | - | 11,374 | 11,374 |
| 2002-03 | 2022-2023 | 6.285% | 20 | 11,360 | - | 11,360 | 11,360 |
| 2003-04 | 2023-2024 | 5.728% | 20 | 11,135 | - | 11,135 | 11,135 |
| 2004-05 | 2024-2025 | 5.659% | 20 | 10,500 | - | 10,500 | 10,500 |
| 2005-06 | 2025-2026 | 5.212% | 20 | 3,036 | - | 3,036 | 3,036 |
| 2005-06 | 2035-2036 | 4.772% | 30 | 5,939 | - | 5,939 | 5,939 |
| 2006-07 | 2036-2037 | 4.879% | 30 | 13,526 | - | 13,526 | 13,526 |
| 2007-08 | 2037-2038 | 4.851% | 30 | 10,010 | - | 10,010 | 10,010 |
| 2008-09 | 2038-2039 | 4.970% | 30 | 9,703 | - | 9,703 | 9,703 |
| 2009-10 | 2039-2040 | 5.092% | 30 | 10,544 | - | 10,544 | 10,544 |
| 2010-11 | 2040-2041 | 4.818% | 30 | 9,603 | - | 9,603 | 9,603 |
| 2011-12 | 2041-2042 | 4.522% | 30 | 9,794 | - | 9,794 | 9,794 |
| 2012-13 | 2042-2043 | 3.624% | 30 | 6,971 | - | 6,971 | - |
| | | | | 140,339 | - | 140,339 | 140,339 |
| | | | | 1,880,339 | 187,762 | 1,692,577 | 1,439,611 |
| Debenture Discount | | | | (10,884) | - | (10,884) | (8,236) |
| (Over) Unfunded Portion of Sinking Fund | | | | - | (5,061) | 5,061 | (670) |
| **Total Debentures & Sinking Fund** | | | | 1,869,455 | 182,701 | 1,686,754 | 1,430,705 |

**13 Debentures and Sinking Fund continued**

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are redeemable in whole or in part before maturity at the option of the Minister of Finance, Energy and Municipal Affairs of Prince Edward Island.

Interest rates are calculated on a weighted average basis.

The unfunded (over-funded) portion of the Sinking Fund represents cash loaned to (borrowed from) the Province's Operating Fund.

**Projected Payments**

Projected payments for the next five years and thereafter are:

| | Total Repayments ($000) | Sinking Fund Requirements ($000) | Net Principal Repayments ($000) |
|---|---|---|---|
| **2013-2014** | - | - | - |
| **2014-2015** | 100,000 | - | 100,000 |
| **2015-2016** | 75,000 | 35,412 | 39,588 |
| **2016-2017** | - | - | - |
| **2017-2018** | - | - | - |
| **Thereafter** | 1,705,339 | 152,350 | 1,552,989 |

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

## 14 Tangible Capital Assets

| | Land and Improvements ($000) | Buildings and Improvements ($000) | Capital Leases / Leasehold Improvements ($000) | Roads and Bridges ($000) | Motor Vehicles ($000) | Equipment ($000) | Other ($000) | Total 2013 ($000) | Total 2012 Restated ($000) |
|---|---|---|---|---|---|---|---|---|---|
| Cost, beginning of year | 82,402 | 705,593 | 8,619 | 966,502 | 63,229 | 256,524 | 86,524 | 2,169,393 | 2,050,610 |
| Additions | 4,552 | 47,696 | 1,094 | 32,007 | 3,339 | 17,600 | 1,776 | 108,064 | 127,645 |
| Disposals / Writedowns | (39) | (4,055) | - | - | (3,244) | (11,429) | (22) | (18,789) | (8,451) |
| Adjustments | (4) | (5,854) | - | - | (2,750) | 781 | - | (7,827) | (411) |
| Cost, end of year | 86,911 | 743,380 | 9,713 | 998,509 | 60,574 | 263,476 | 88,278 | 2,250,841 | 2,169,393 |
| Accumulated Amortization, beginning of year | 2,819 | 260,406 | 4,244 | 674,687 | 45,813 | 171,040 | 46,306 | 1,205,315 | 1,152,673 |
| Amortization | 10 | 15,217 | 500 | 22,551 | 3,911 | 17,150 | 2,763 | 62,102 | 58,170 |
| Disposals / Writedowns | - | (1,713) | - | - | (3,180) | (11,165) | (10) | (16,068) | (5,528) |
| Adjustments | - | (1,365) | - | - | (6,186) | 1,309 | - | (6,242) | - |
| Accumulated Amortization, end of year | 2,829 | 272,545 | 4,744 | 697,238 | 40,358 | 178,334 | 49,059 | 1,245,107 | 1,205,315 |
| **Net Book Value** | **84,082** | **470,835** | **4,969** | **301,271** | **20,216** | **85,142** | **39,219** | **1,005,734** | **964,078** |

- Amortization is calculated using the straight line method (see Note 2).

- The net book value of capital assets not being amortized because they are under construction or development is $29.7 million (2012 - $57.7 million).

- No interest was capitalized during the year.

- Adjustments - With the transition of the Province's school boards from a June 30 to a March 31 year end, adjustments were required on the Consolidated Schedule of Tangible Capital Assets to reconcile account balances.

| | 2013 ($000) | 2012 Restated ($000) |
|---|---|---|
| **15 Inventories and Property Holdings** | | |
| Operating Fund | | |
| Inventory - Education and Early Childhood Development | 1,575 | 1,460 |
| Inventory - Community Services and Seniors | 235 | 234 |
| Inventory - Transportation and Infrastructure Renewal | 4,284 | 4,329 |
| Property Holdings | 195 | 248 |
| Consolidated Agencies, Boards and Crown Corporations | | |
| Inventory - Health PEI | 3,424 | 5,322 |
| Inventory - Other Consolidated Agencies, Boards and Crown Corporations | 469 | 408 |
| Property Holdings - Finance PEI (Note 14) | 16,114 | 549 |
| Property Holdings - P.E.I. Housing Corporation | 150 | 29 |
| | 26,446 | 12,579 |
| Provision for Losses on Property Holdings (Schedule 19) | (3,973) | (634) |
| | **22,473** | **11,945** |
| **16 Prepaid Expenses and Deferred Charges** | | |
| Operating Fund | 102 | 106 |
| Health PEI | 644 | 663 |
| Innovation PEI | 753 | 63 |
| P.E.I. Grain Elevators Corporation | 303 | 333 |
| Other Consolidated Agencies, Boards and Crown Corporations | 277 | 158 |
| | **2,079** | **1,323** |
| **17 Trust Funds** | | |
| Operating Fund | | |
| Civil Service Superannuation Fund | 1,227,571 | 982,185 |
| Pension Plan for MLAs | 19,418 | 18,944 |
| Public Trustee | 8,939 | 8,331 |
| Supreme Court | 379 | 366 |
| Teachers' Superannuation Fund | 631,085 | 526,021 |
| Other | 1,338 | 1,624 |
| Health PEI | 585 | 405 |
| English Language School Board | 272 | 393 |
| P.E.I. Museum and Heritage Foundation | 975 | 954 |
| | **1,890,562** | **1,539,223** |

## 18 Guaranteed Debt

| | | 2013 Outstanding ($000) | 2012 Outstanding ($000) |
|---|---|---|---|
| 1 | Lines of Credit / Demand Loans | 32,607 | 54 |
| 2 | Debentures / Capital Loans | 245,886 | 264,623 |
| 3 | Agencies and Crown Corporations | 1,378 | 1,980 |
| | **Total Guaranteed Debt** | **279,871** | **266,657** |

| | Maturity Date | Authorized Limit ($000) | 2013 Outstanding ($000) | 2012 Outstanding ($000) |
|---|---|---|---|---|
| **1 Lines of Credit / Demand Loans** | | | | |
| P.E.I. Energy Corporation | Upon Completion | 40,843 | 32,604 | - |
| Communities 13 Inc. | August 1, 2013 | 100 | 3 | 54 |
| | | **40,943** | **32,607** | **54** |
| **2 Debentures / Capital Loans** | | | | |
| Ch'town Area Dev. Corp. | May 15, 2013 | 11,800 | 4,443 | 5,161 |
| Communities 13 Inc. | Aug 2012 to Mar 2018 | 213 | - | 171 |
| Fathers of Confed. Building | September 30, 2020 | 1,000 | 781 | 870 |
| Island Investment Dev. Inc. | Apr 2012 to Apr 2017 | 211,986 | 211,986 | 225,837 |
| Island Waste Manage. Corp. | December 31, 2027 | 30,130 | 22,784 | 23,687 |
| L.M. Montgomery Land Trust | June 30, 2014 | 1,570 | 1,576 | 1,570 |
| P.E.I. Energy Corporation | March 6, 2017 | 9,360 | 3,138 | 3,890 |
| P.E.I. Energy Savings Bonds | May 2013 to Dec 2016 | 20,000 | 337 | 2,663 |
| P.E.I. Firefighters Association | March 31, 2027 | 140 | 135 | - |
| Pownal Sports Centre | Mar 2014 to Mar 2024 | 1,085 | 706 | 774 |
| | | **287,284** | **245,886** | **264,623** |

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

| **3 Agencies and Crown Corporations** | 2013 ($000) | 2012 ($000) |
|---|---|---|
| Finance PEI (Note 14) | **1,378** | **1,980** |

**19 Continuity of Provision for Doubtful Accounts and Losses**

| | Provision 2012 ($000) | Written Off During Year ($000) | Increase (Decrease) ($000) | Provision 2013 ($000) | |
|---|---|---|---|---|---|
| **Accounts and Taxes Receivable:** | | | | | |
| Operating Fund | | | | | |
| Provincial Sales Tax | 1,970 | (469) | 764 | 2,265 | |
| Real Property Tax | 200 | (159) | 100 | 141 | |
| Transportation and Infrastructural Renewal | 902 | - | - | 902 | |
| Other Departments | 91 | - | 64 | 155 | |
| Finance PEI | - | - | 112 | 112 | |
| P.E.I. Grain Elevator's Corporation | 17 | - | (1) | 16 | |
| Health PEI | 814 | (616) | 642 | 840 | |
| Innovation PEI | 119 | - | (94) | 25 | |
| Tourism PEI | 235 | - | - | 235 | |
| | 4,348 | (1,244) | 1,587 | 4,691 | [1] |
| **Investments:** | | | | | |
| Finance PEI | - | - | 1,272 | 1,272 | |
| Innovation PEI | 1,478 | - | (1,478) | - | |
| | 1,478 | - | (206) | 1,272 | [2] |
| **Loans Receivable:** | | | | | |
| Operating Fund | - | - | 3,200 | 3,200 | |
| Finance PEI | - | - | 36,795 | 36,795 | |
| Innovation PEI | 9,685 | - | (9,685) | - | |
| P.E.I. Lending Agency | 41,623 | - | (41,623) | - | |
| P.E.I. Student Financial Assistance Corporation | 3,611 | - | 247 | 3,858 | |
| | 54,919 | - | (11,066) | 43,853 | [3] |
| **Guarantees:** | | | | | |
| Operating Fund | 332 | (332) | - | - | |
| | 332 | (332) | - | - | [4] |
| **Property Holdings:** | | | | | |
| Operating Fund | 105 | - | 25 | 130 | |
| Finance PEI | - | (2,991) | 6,834 | 3,843 | |
| P.E.I. Lending Agency | 529 | - | (529) | - | |
| | 634 | (2,991) | 6,330 | 3,973 | [5] |
| **Totals** | **61,711** | **(4,567)** | **(3,355)** | **53,789** | |

[1] The Provisions for Doubtful Accounts for Accounts and Taxes Receivable are deducted on Schedule 2.

[2] The Provisions for Losses on Investments are deducted on Schedule 3.

[3] The Provisions for Doubtful Accounts for Loans Receivable are deducted on Schedule 6.

[4] The Provisions for Losses on Loan Guarantees are included in Accrued Liabilities on Schedule 8.

[5] The Provisions for Losses on Property Holdings are deducted on Schedule 15.

## 20 Schedule of Debentures Issued and Matured

### ISSUED

| Date Of Issue | Rate of Interest | Date of Maturity | Amount of Issue ($000) | Price Received |
|---|---|---|---|---|
| **Canada Pension Plan** | | | | |
| 01-May-12 | 3.77% | 01-May-42 | 2,195 | 100.00 |
| 01-Jun-12 | 3.56% | 01-Jun-42 | 3,060 | 100.00 |
| 03-Jul-12 | 3.55% | 03-Jul-42 | 1,716 | 100.00 |
| | | | 6,971 | |
| **Provincial Debentures** | | | | |
| 19-Jun-12 | 3.65% | 27-Jun-42 | 200,000 | 99.03 |
| 10-Jan-13 | 3.60% | 17-Jan-53 | 125,000 | 98.79 |
| | | | 325,000 | |
| **Total Debentures Issued** | | | **331,971** | |

### MATURED

| Date Of Issue | Rate of Interest | Date of Maturity | Amount of Issue ($000) | Amount Matured ($000) | Redeemed by Operating Fund ($000) | Redeemed by Sinking Fund ($000) |
|---|---|---|---|---|---|---|
| **Canada Pension Plan** | | | | | | |
| 01-May-92 | 9.41% | 01-May-12 | 2,195 | 2,195 | 2,195 | - |
| 01-Jun-92 | 9.45% | 01-Jun-12 | 3,060 | 3,060 | 3,060 | - |
| 02-Jul-92 | 9.17% | 02-Jul-12 | 1,716 | 1,716 | 1,716 | - |
| | | | | 6,971 | 6,971 | - |
| **Provincial Debentures** | | | | | | |
| 17-Dec-92 | 9.75% | 17-Dec-12 | 50,000 | 50,000 | 24,420 | 25,580 |
| 18-Mar-93 | 9.25% | 18-Mar-13 | 60,000 | 60,000 | 24,154 | 35,846 |
| | | | | 110,000 | 48,574 | 61,426 |
| **Total Debentures Matured** | | | | **116,971** | **55,545** | **61,426** |

| | 2013 Budget Unaudited ($000) | 2013 Actual ($000) | 2012 Actual Restated ($000) |
|---|---|---|---|
| **Revenues** | | | |
| **21 Taxes** | | | |
| Personal Income Tax | 290,892 | 300,393 | 285,750 |
| Sales Tax | 218,619 | 212,088 | 214,142 |
| Real Property Tax | 104,043 | 101,258 | 97,760 |
| Gasoline Tax | 42,957 | 41,122 | 41,787 |
| Corporate Income Tax | 40,918 | 52,181 | 42,079 |
| Health Tax on Tobacco | 40,152 | 36,354 | 37,040 |
| Health Tax on Liquor | 18,140 | 17,395 | 16,908 |
| Insurance Premium Tax | 10,400 | 10,572 | 10,103 |
| Corporation Capital Tax | 4,600 | 5,687 | 5,792 |
| Real Property Transfer Tax | 4,000 | 4,092 | 3,860 |
| Other | 1,280 | 1,405 | 1,193 |
| | **776,001** | **782,547** | **756,414** |
| **22 Licenses and Permits** | | | |
| Motor Vehicle Registry | 18,883 | 16,785 | 15,210 |
| Securities | 3,927 | 4,449 | 3,863 |
| Security Brokers and Salesmen Licenses | 2,497 | 1,911 | 1,579 |
| Registration and Licensing | 840 | 957 | 972 |
| Other | 4,182 | 3,559 | 3,367 |
| | **30,329** | **27,661** | **24,991** |
| **23 Fees and Services** | | | |
| Patient Fees | 18,263 | 20,170 | 18,313 |
| P.E.I. Agricultural Insurance Corp.- Insurance Premiums | 8,499 | 8,410 | 8,932 |
| Beverage Containers and Recycled Materials | 6,800 | 7,139 | 6,880 |
| Land Title and Registry Fees | 2,520 | 2,466 | 2,332 |
| Third Party Insurance | 2,500 | 2,475 | 2,079 |
| Tourism PEI - Marketing and Visitor Services | 1,295 | 1,097 | 1,221 |
| 9-1-1 Cost Recovery Fees | 1,175 | 997 | 776 |
| Automated Property Registration | 1,066 | 928 | 848 |
| R.C.M.P. Recoveries | 943 | 1,053 | 863 |
| Fines and Penalties | 830 | 868 | 991 |
| Other | 12,040 | 12,641 | 12,366 |
| | **55,931** | **58,244** | **55,601** |
| **24 Sales** | | | |
| P.E.I. Grain Elevators Corporation | 18,212 | 19,233 | 13,863 |
| Tourism PEI - Golf and Park Operations | 5,234 | 5,535 | 5,369 |
| Health PEI | 2,606 | 2,078 | 2,039 |
| Other | 526 | 1,081 | 1,561 |
| | **26,578** | **27,927** | **22,832** |

| | 2013 Budget Unaudited ($000) | 2013 Actual ($000) | 2012 Actual Restated ($000) |
|---|---|---|---|
| **25 Investment Income** | | | |
| Operating Fund | 3,299 | 3,349 | 2,563 |
| Finance PEI | 10,737 | 10,569 | - |
| P.E.I. Lending Agency | - | - | 10,157 |
| Other Consolidated Agencies, Boards & Crown Corporations | 669 | 597 | 2,332 |
| | **14,705** | **14,515** | **15,052** |
| **26 Other Income** | | | |
| Operating Fund | 390 | 565 | 417 |
| Health PEI | 4,485 | 7,048 | 6,154 |
| Finance PEI | 3,713 | 12,741 | - |
| School Boards | 650 | 2,247 | 1,724 |
| Innovation PEI | 1,230 | 1,409 | 7,814 |
| P.E.I. Housing Corporation | 5,154 | 5,185 | 5,508 |
| Summerside Regional Development Corporation | 628 | 694 | 1,213 |
| Other Consolidated Agencies, Boards & Crown Corporations | 1,137 | 1,101 | 292 |
| | **17,387** | **30,990** | **23,122** |
| **27 Government of Canada** | | | |
| Equalization | 337,075 | 337,075 | 329,022 |
| Canada Health Transfer | 123,164 | 120,956 | 116,445 |
| Canada Social Transfer | 49,754 | 49,551 | 48,933 |
| Base Funding for Infrastructure | - | - | 41,000 |
| Labour Market Agreements | 32,214 | 32,469 | 34,163 |
| Federal Transitional Assistance | 25,000 | - | - |
| Infrastructure Programs | 1,332 | 543 | 6,375 |
| Agriculture Support Programs | 3,508 | 3,573 | 4,071 |
| Housing Programs | 3,537 | 3,173 | 5,680 |
| New Deal for Cities and Communities | 13,997 | 13,852 | 15,244 |
| Official Languages in Education | 2,622 | 2,795 | 2,697 |
| Capital Funding - Atlantic Gateway | 2,000 | 2,250 | - |
| Capital Funding - French Language Schools | - | 1,729 | 675 |
| Youth Justice Services | 2,339 | 2,199 | 2,189 |
| Crop Insurance | 13,654 | 13,966 | 12,989 |
| P.E.I. 2014 Inc. | 1,300 | 983 | 30 |
| Promotion of Official Languages | 1,090 | 1,563 | 1,562 |
| Rehabilitation Programs | 1,376 | 1,376 | 1,376 |
| Wait Times Funding | 1,049 | 1,048 | 1,057 |
| Statutory Subsidy | 679 | 679 | 679 |
| Other | 6,066 | 5,593 | 6,516 |
| | **621,756** | **595,373** | **630,703** |

| | 2013 Budget Unaudited ($000) | 2013 Actual ($000) | 2012 Actual Restated ($000) |
|---|---|---|---|
| **Expenses** | | | |
| **28 Agriculture and Forestry** | | | |
| Department of Agriculture and Forestry | 23,963 | 22,855 | 29,572 |
| P.E.I. Agricultural Insurance Corporation | 34,433 | 36,144 | 29,422 |
| P.E.I. Grain Elevators Corporation | 19,880 | 19,987 | 14,102 |
| | **78,276** | **78,986** | **73,096** |
| **29 Community Services and Seniors** | | | |
| Department of Community Services and Seniors | 82,115 | 80,518 | 92,481 |
| Interministerial Women's Secretariat | 425 | 410 | 436 |
| P.E.I. Housing Corporation | 7,720 | 7,683 | 7,603 |
| | **90,260** | **88,611** | **100,520** |
| **30 Education and Early Childhood Development** | | | |
| Department of Education and Early Childhood Development | 228,811 | 27,348 | 29,806 |
| English Language School Board | - | 187,318 | 181,993 |
| French Language School Board | - | 13,160 | 11,950 |
| P.E.I. Regulatory and Appeals Commission | 2,534 | 2,373 | 2,206 |
| | **231,345** | **230,199** | **225,955** |
| **31 Environment, Labour and Justice** | | | |
| Department of Environment, Labour and Justice | 59,674 | 59,991 | 58,565 |
| P.E.I. Human Rights Commission | 398 | 401 | 430 |
| | **60,072** | **60,392** | **58,995** |
| **32 Finance, Energy and Municipal Affairs** | | | |
| Department of Finance, Energy and Municipal Affairs | 64,983 | 63,003 | 64,254 |
| Council of Atlantic Premiers | 188 | 187 | 186 |
| General Government | 6,181 | 6,242 | 3,792 |
| Employee Benefits | 50,895 | 46,310 | 42,013 |
| Interest on Unfunded Employee Future Benefits | 13,866 | 13,571 | 21,887 |
| P.E.I. Energy Corporation | 544 | 544 | 569 |
| P.E.I. Self Insurance and Risk Management Fund | 4,533 | 3,736 | 3,301 |
| Harness Racing P.E.I. | - | - | 11 |
| | **141,190** | **133,593** | **136,013** |

| | 2013 Budget Unaudited ($000) | 2013 Actual ($000) | 2012 Actual Restated ($000) |
|---|---|---|---|
| **33 Fisheries, Aquaculture and Rural Development** | | | |
| Department of Fisheries, Aquaculture and Rural Development | 10,307 | 9,229 | 12,106 |
| Employment Development Agency | 5,732 | 5,337 | 5,813 |
| P.E.I. Aquaculture and Fisheries Research Initiative | 230 | 137 | 78 |
| | **16,269** | **14,703** | **17,997** |
| **34 Health and Wellness** | | | |
| Department of Health and Wellness | 12,936 | 11,632 | 10,797 |
| Health PEI | 564,180 | 569,157 | 548,679 |
| | **577,116** | **580,789** | **559,476** |
| **35 Innovation and Advanced Learning** | | | |
| Department of Innovation and Advanced Learning | 123,292 | 120,679 | 125,178 |
| Innovation PEI | 23,392 | 23,425 | 29,639 |
| Finance PEI | 7,062 | 5,744 | - |
| P.E.I. Lending Agency | - | - | 5,495 |
| P.E.I. Student Financial Assistance Corporation | 167 | 302 | 343 |
| Summerside Regional Development Corporation | 1,196 | 2,918 | 710 |
| | **155,109** | **153,068** | **161,365** |
| **36 Tourism and Culture** | | | |
| Department of Tourism and Culture | 6,880 | 6,462 | 6,761 |
| P.E.I. Museum and Heritage Foundation | 1,445 | 1,427 | 1,789 |
| Tourism PEI | 22,052 | 22,002 | 23,418 |
| P.E.I. 2014 Inc. | 3,400 | 2,291 | 348 |
| | **33,777** | **32,182** | **32,316** |
| **37 Transportation and Infrastructure Renewal** | | | |
| Department of Transportation and Infrastructure Renewal | 101,722 | 102,321 | 116,105 |
| Crown Building Corporation | - | 9 | - |
| | **101,722** | **102,330** | **116,105** |
| **38 Expense by Object** | | | |
| Administration | | 30,481 | 42,897 |
| Amortization of Tangible Capital Assets | | 62,102 | 58,170 |
| Debt - Interest Charges | | 116,219 | 106,557 |
| Debt - Provisions and Other | | 5,905 | 7,636 |
| Debt - Interest on Unfunded Employees Future Benefits | | 15,925 | 23,608 |
| Materials and Supplies | | 128,969 | 133,507 |
| Professional and Contract Services | | 209,347 | 195,493 |
| Salaries and Benefits | | 725,467 | 709,063 |
| Travel and Training | | 13,544 | 14,838 |
| Transfer Payments | | 367,667 | 379,453 |
| | | **1,675,626** | **1,671,222** |

## 39 Reconciliation of Consolidated Deficit

| | 2013 Surplus (Deficit) ($000) | Consolidation Adjustments ($000) | | 2013 Consolidated Surplus (Deficit) ($000) |
|---|---|---|---|---|
| **Operating Fund** | **(134,702)** | **19,612** | [1] | **(115,090)** |
| **Consolidated Agencies, Boards and Crown Corporations** | | | | |
| Finance PEI | 11,497 | - | | 11,497 |
| Health PEI | 13,924 | (27,844) | [1] | (13,920) |
| Innovation PEI | 60 | (712) | [1/5] | (652) |
| P.E.I. 2014 Inc. | 1,206 | (748) | [2] | 458 |
| P.E.I. Agricultural Insurance Corporation | (1,459) | - | | (1,459) |
| P.E.I. Aquaculture & Fisheries Research Initiative Inc. | (64) | - | | (64) |
| P.E.I. Crown Building Corporation | (7) | (24) | [5] | (31) |
| P.E.I. Grain Elevators Corporation | 63 | 500 | [5] | 563 |
| P.E.I. Housing Corporation | - | (492) | [1] | (492) |
| P.E.I. Human Rights Commission | 14 | - | | 14 |
| P.E.I. Museum & Heritage Foundation | 73 | (11) | [5] | 62 |
| P.E.I. Regulatory and Appeals Commission | 162 | - | | 162 |
| P.E.I. Self Insurance & Risk Management | 996 | - | | 996 |
| School Boards | 105 | (6,993) | [3] | (6,888) |
| Summerside Regional Development Corporation | (47) | (2,243) | [4/5] | (2,290) |
| **Total Consolidated Agencies and Crown Corps.** | **26,523** | **(38,567)** | | **(12,044)** |
| **Government Business Enterprises (Schedule 4)** | **18,724** | **29,807** | [1] | **48,531** |
| **Consolidated Surplus (Deficit)** | | | | **(78,603)** |

### Consolidation Adjustments

| | |
|---|---|
| [1] **Operating Fund:** | |
| Adjustment for capital funding provided to: | |
| Health PEI | 27,844 |
| Innovation PEI | 807 |
| P.E.I. Housing Corporation | 492 |
| School Boards | 17,977 |
| Amortization of Tangible Capital Assets transferred from Tourism PEI | (57) |
| Charlottetown Area Development Corporation | 2,282 |
| Adjustment for revenues recorded in both the GBEs and the Operating Fund (Schedule 4) | (29,807) |
| Other Adjustments | 74 |
| | 19,612 |

**39 Reconciliation of Consolidated Deficit continued**

| | |
|---|---|
| [2] **Adjustment for Prepaid Expense** | |
| P.E.I. 2014 Inc. | (748) |
| [3] **School Boards** | |
| Amortization Expense | (7,548) |
| Eliminate Deferred Revenue | 2,521 |
| Adjust Tangible Capital Assets | (1,576) |
| Other Adjustments | (390) |
| | (6,993) |
| [4] **Adjustment for Treatment of Deferred Capital Contributions** | |
| Summerside Regional Development Corporation | (2,185) |
| [5] **Other Adjustments** | |
| Innovation PEI | 95 |
| P.E.I. Crown Building Corporation | (24) |
| P.E.I. Grain Elevators Corporation | 500 |
| P.E.I. Museum and Heritage Foundation | (11) |
| Summerside Regional Development Corporation | (58) |

## 40 Restatement of 2012-2013 Budget Estimates

| | 2012-2013 Budget per Estimates Book ($000) | Restatement ($000) | | 2013 Budget Unaudited ($000) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | 777,408 | (1,407) | 2 | 776,001 |
| Licenses and Permits | 29,836 | 493 | 2 | 30,329 |
| Fees and Services | 31,280 | 24,651 | 2 | 55,931 |
| Sales | 33,001 | (6,423) | 2 | 26,578 |
| Investments | 8,723 | 5,982 | 2 | 14,705 |
| Other Income | - | 17,387 | 1/2/4 | 17,387 |
| Government of Canada | 602,786 | 18,970 | 1/2 | 621,756 |
| Government Business Enterprises | - | 48,243 | 3/4 | 48,243 |
| Sinking Fund Earnings | 11,350 | - | | 11,350 |
| Net Surplus of Crown Entities | 15,710 | (15,710) | 2/3 | - |
| **Total Revenues** | **1,510,094** | **92,186** | | **1,602,280** |
| **EXPENSES** | | | | |
| Agriculture and Forestry | 37,532 | 40,744 | 2 | 78,276 |
| Auditor General | 1,770 | - | | 1,770 |
| Community Services and Seniors | 93,559 | (3,299) | 2/5 | 90,260 |
| Education and Early Childhood Development | 230,628 | 717 | 2 | 231,345 |
| Environment, Labour and Justice | 60,072 | - | | 60,072 |
| Executive Council | 8,857 | - | | 8,857 |
| Finance, Energy and Municipal Affairs | 138,558 | 2,632 | 2 | 141,190 |
| Fisheries, Aquaculture and Rural Development | 16,039 | 230 | 2 | 16,269 |
| Health and Wellness | 555,653 | 21,463 | 2 | 577,116 |
| Innovation and Advanced Learning | 143,189 | 11,920 | 2 | 155,109 |
| Legislative Assembly | 4,860 | - | | 4,860 |
| Public Service Commission | 7,696 | - | | 7,696 |
| Tourism and Culture | 25,477 | 8,300 | 2 | 33,777 |
| Transportation and Infrastructure Renewal | 102,422 | (700) | 2 | 101,722 |
| **Total Program Expenses** | **1,426,312** | **82,007** | | **1,508,319** |
| Interest Charges on Debt | 109,901 | 846 | 2 | 110,747 |
| Amortization of Capital Assets | 56,841 | 1,286 | 5 | 58,127 |
| Amortization of Deferred Capital Contributions | (8,047) | 8,047 | 1 | - |
| **Total Expenses** | **1,585,007** | **92,186** | | **1,677,193** |
| **Consolidated Deficit** | **74,913** | | | **74,913** |

[1] - Adjustment for change in the treatment of capital revenue per new accounting standards

[2] - Restatement of revenues and expenses to include consolidated agencies (per agency budgets).

[3] - Presentation of estimated net surplus of the six Crown entities classified as GBEs.

[4] - Transfer sales revenue (P.E.I. LCC and P.E.I. Lotteries Commission) to GBE.

[5] - Transfer P.E.I. Housing Corporation amortization expense

This schedule outlines the changes in the Province's 2012-2013 Budget to present, for comparative purposes the inclusion of consolidated agencies on a line by line basis and a change in accounting standards. The "Budget per Estimates Book" is taken from the Province of P.E.I.'s *Estimates of Revenue and Expenditure 2012* .

## 41 Provincial Reporting Entity

The Provincial Reporting Entity is comprised of the Operating Fund (departments and public service units) and the following Agencies, Boards and Crown Corporations:

**Government Organizations**

English Language School Board [1/2]
French Language School Board [2]
Employment Development Agency
Finance PEI [3]
  Atlantic Technology Centre Inc.
  100417 P.E.I. Inc.
Health PEI
Innovation PEI [3]
  F.T.C. Enterprises Limited
  P.E.I. Biocommons Inc.
P.E.I. 2014 Inc.
P.E.I. Advisory Council on the Status of Women
P.E.I. Agricultural Insurance Corporation
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Crown Building Corporation
P.E.I. Grain Elevators Corporation [4]
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Museum and Heritage Foundation
P.E.I. Regulatory and Appeals Commission
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Student Financial Assistance Corporation
Summerside Regional Development Corporation Ltd. [5]
Tourism P.E.I.

**Government Business Enterprises**

Charlottetown Area Development Corporation [6]
  Harbourside Management Services Inc.
Island Investment Development Inc.
  Prince Edward Island Century 2000 Fund Inc.
Island Waste Management Corporation
  Environmental Industrial Services Inc.
P.E.I. Energy Corporation
  P.E.I. Renewable Energy Corporation
P.E.I. Liquor Control Commission
P.E.I. Lotteries Commission

[1] As a result of changes to the School Act in 2012, the English Language School Board was created on January 1, 2013. The amendments resulted in the dissolution of the former Western School Board and Eastern School District as of December 31, 2012. All assets and liabilities of the former Boards became the property of the English Language School Board.

[2] Effective March 31, 2013 the Engish Language School Board and the French Language School Board changed their fiscal year end to from June 30th to March 31.

[3] Effective April 1, 2012 Finance PEI was established as a crown corporation. P.E.I. Lending Agency, Innovation PEI Lending Services and Innovation PEI Strategic Initiatives and Properties division transferred their assets, liabilities and surpluses to Finance PEI.

[4] The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2012.

[5] The Province owns 75% of Summerside Regional Development Corporation. The Corporation is included in the governmental unit on a proportionate consolidation basis.

[6] The Province owns 85% of Charlottetown Area Development Corporation. The Corporation is included in the governmental unit using the modified equity method of accounting.